(ii)

Sandhead Club
Income and Expenditure account
for the year ended December 31, 2002

		Rs.
Incomes		
Profit from bar	(W-1)	6,000
Interest income		4,500
Subscription	(W-2)	44,500
		55,000
Expenses		
Depreciation furniture	(W-5)	120
Loss on sale of furniture	((W-5) 800 – 750)	50
Bad debt		500
Salaries		12,000
Repairs		5,000
Electricity		12,000
Miscellaneous expenses		14,000
		(43,670)
Surplus/(Deficit)		**11,330**

(iii)

Sandhead Club
Balance Sheet
as on December 31, 2002

		Rs.
Fund and liabilities		
Fund		
Opening fund		102,700
Transferred from life membership fund	(W-6)	1,000
Surplus/(Deficit)		11,330
		115,030
Donation Fund		50,000
Life membership fund	(W-6)	41,600
Current Liabilities		
Bar creditors		20,000
Total		**226,630**
Assets		
Non-Current Assets		
Building		100,000
Equipment		15,000
Furniture		1,080
		116,080
Government Securities		50,000
Current Assets		
Cash and bank		18,800
Interest receivable		4,500
Bar debtors		10,000
Bar stock		25,000
Subscription receivable	(W-2)	2,250
		60,550
Total		**226,630**

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WORKINGS

(W-1) Profit from bar

		Rs.	Rs.
Revenue.	(40,000/80 × 100)		50,000
Less: COS			
Op. stock		10,000	
Purchases		55,000	
Less: Cl. Stock		(25,000)	(40,000)
Gross profit			10,000
Less: Expenses			(4,000)
Profit			6,000

(W-2) **Subscription account**

Dr.		Cr.	
op. receivable	1,500	op. Advance	1,000
I and E (as below)	44,500	Cash (bal.).	42,250
		Bad debt (5 × 100)	500
cl. advance	-	cl. Receivable (15 × 150)	2,250

Subscription income (290 members x Rs. 150) + (10 members x Rs. 100) 44,500

We have received Rs.100/member from 10 members in previous year which is current year income. In the current year subscription from remaining 290 members @ Rs.150 will also be taken to income of current year.

(W-3) **Creditor for purchases**

Dr.		Cr.	
Bank	24,000	op.	14,000
cl. (bal.)	20,000	Purchases	30,000

(W-4) **Bar debtors**

Dr.		Cr.	
op.	12,000	Bank	32,000
Sale	30,000	c/d	10,000
Cash sale= 50,000 – 30,000 = 20,000			

(W-5) **Furniture account**

Dr.		Cr.	
op.	2,000	Disposal (see below)	800
		Depreciation (see below) (2,000 – 800) × 10%	120
		cl.	1,080

If book value of assets after depreciation is given then we calculate depreciation charge for the year and book value of assets excluding disposals.

Depreciation for the year	(1,080/90 × 10)	120
Opening Book value of assets excluding disposals	(1,080/90 × 100)	1,200
Book value of assets disposed off	(2,000 – 1,200)	800

(W-6) **Life membership fund a/c**

Dr.		Cr.	
General Fund	1,000	b/d	37,800
c/d	41,600	Cash (4 × 1,200)	4,800

Scanned with CamScanner

Answer-15

Receipt and payment account
for the year ended December 31, 2002

Receipts	Rs.	Payments	Rs.
b/d	1,000	Salaries	6,000
		Repair	1,000
Building Fund	60,000	Newspaper	1,000
Sale of old newspaper	500	Printing and stationery	500
Fee for coaching	2,000	Rates and taxes	1,000
Sundries	200	Electricity	400
Subscription	29,600	Sundries	200
(4,000+25,000+600)		Building account	50,000
		c/d	33,200

Journal entry for building donation and construction

	Dr.	Cr.
Cash	60,000	
Building Fund		60,000
(on receipt of specific donation for construction of asset)		
Building account	50,000	
Cash		50,000
(On construction of building)		

Answer-16

Kanpur Cricket club
Receipt and payment account
for the year ended March 31, 2003

Receipts	Rs.	Payments	Rs.
b/d	16,000	Investments (12,000 – 0)	12,000
		Buildings (W-2)	10,000
Subscription (W-1)	52,400	Sports equipment (W-4)	3,000
Sale of furniture	4,000	Books (W-5)	3,000
Donation	5,000	Expenses (bal.)	32,300
		c/d	17,100

Kanpur cricket club
Income and Expenditure account
for the year ended March 31, 2003

		Rs.
Incomes		
Subscription	(W-1)	54,900
Expenses		
Expenses	(W-6)	30,300
Loss on sale of furniture	(6,000 – 4,000)	2,000
Depreciation		
- Building		4,500
- Furniture		3,400
- Sports Equipment		5,400
- Books		1,800
		(47,400)
Surplus/(Deficit)		7,500

Scanned with CamScanner

Kanpur Cricket club
Balance Sheet
as on March 31, 2003

		Rs.
Fund and liabilities		
Fund		
Opening Fund	(W-7)	174,300
Donation		5,000
Surplus/(Deficit)		7,500
		186,800
Current Liabilities		
Subscription in advance		1,000
Outstanding expenses		1,200
		2,200
Total		**189,000**
Assets		
Non-Current Assets		
Building		85,500
Furniture		30,600
Sports equipment		21,600
Books		16,200
		153,900
Investments		12,000
Current Assets		
Subscription receivable		5,000
Prepaid expenses		1,000
Cash		17,100
		23,100
Total		**189,000**

WORKINGS

(W-1)

Dr.	Subscription account		Cr.
op. receivable	3,000	op. advance	1,500
I and E	54,900	Cash (bal.)	52,400
cl. advance	1,000	cl. receivable	5,000

Subscription income

Subscription income from April 2002 to September 2002 (310 members x Rs. 15×6 months)	27,900
Subscription income from October 2002 to March 2003 (300 members x Rs. 15×6 months)	27,000
	54,900

(W-2)

Dr.	Building account		Cr.
op.	80,000	Depreciation	4,500
Cash	10,000	cl.	85,500

(W-3)

Dr.	Furniture a/c		Cr.
op.	40,000	Disposal	6,000
Cash	-	Depreciation	3,400
		cl.	30,600

Scanned with CamScanner

(W- 4) **Sports equipment**

Dr.		Cr.	
op.	24,000	Depreciation	5,400
Cash	3,000	cl.	21,600

(W- 5) **Books account**

Dr.		Cr.	
op.	15,000	Depreciation	1,800
Cash	3,000	cl.	16,200

(W- 6) **Expenses**

Dr.		Cr.	
Op. prepaid	800	Op. Payable	3,000
Cash	32,300	I and E (bal.)	30,300
(From receipt and payment acc.)			
Cl. Payable	1,200	Cl. Prepaid	1,000

(W-7) **Opening fund**

	Rs.
Assets	
Building	80,000
Furniture	40,000
Sports equipment	24,000
Subscription receivable	3,000
Prepaid expenses	800
Books	15,000
Cash	16,000
	178,800
Liabilities	
Subscription in advance	1,500
Outstanding expenses	3,000
	4,500
	174,300

Answer-17

Woodburn Club
Receipt and payment account
for the year ended December 31,2002

Receipts	Rs.	Payments	Rs.
b/d (bal.)	54	Salaries	700
Subscription (W-1)	840	General expenses	200
Donations	430	Fixed assets purchased (W-2)	160
		c/d	264

WORKINGS

(W- 1) **Subscription account**

Dr.		Cr.	
op. receivable	80	op. advance	20
I and E	800	Cash (bal.)	840
cl. advance	16	cl. receivable	
		- 2001 (80-72)	8
		- 2002	28

(W- 2) **Fixed assets account**

Dr.		Cr.	
b/d	1,040	Depreciation	120
Cash (bal.)	160	c/d	1,080

Scanned with CamScanner

Answer-18

Boat Club
Receipt and payment account
for the year ended December 31, 2002

Receipts	Rs.	Payments	Rs.
b/d	18,500	Salaries (W-2)	18,500
Subscription (W-1)	39,000	General expenses	10,000
Entrance fees	10,500	Audit fee	2,500
Donation	12,000	Printing and stationery	6,000
Sale of old periodicals	500	Interest and bank charge	3,000
		Rent (W-3)	3,500
		Periodicals	4,000
		Travelling expenses	2,500
		c/d (bal.)	30,500

Boat Club
Balance Sheet
as on December 31,2002

		Rs.
Fund and liabilities		
Fund		
Opening Fund		37,000
Surplus/(Deficit)		9,000
		46,000
Current Liabilities		
Subscription in advance		1,000
Salaries payable		2,500
		3,500
Total		49,500
Assets		
Non-Current Assets		
Furniture		6,000
Sports equipment	(7,500 – 1,500)	10,000
		16,000
Current Assets:		
Cash and bank		30,500
Subscription receivable		3,000
		33,500
Total		49,500

WORKINGS

(W- 1)

Dr.	Subscription account		Cr.
op. receivable	4,000	op. Advance	1,000
I and E	38,000	Cash and bank (bal.)	39,000
cl. advance	1,000	cl. receivable	3,000

(W-2)

Dr.	Salaries		Cr.
Cash and bank (bal.)	18,500	Op.	1,500
cl.	2,500	I and E	19,500

(W-3)

Dr.	Rent		Cr.
Cash and bank (bal.)	3,500	Op.	500
cl.	-	I and E	3,000

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ICAP PAST PAPER QUESTIONS

QUESTION-1

At October 01, 1999, a club Membership subscription account showed a debit balance of Rs. 200,000 and a credit balance of Rs. 90,000. During the year ended September 30, 2000, subscription received amounted to Rs. 480,000. On the same date subscription paid in advance amounted to Rs. 85,000, and subscription in arrear and expected to be collected amounted to Rs. 50,000.

Required:

The amount to be transferred to the income and expenditure account in respect of subscriptions for the year ended September 30, 2000.

(05)

(Spring 2001)

QUESTION-2

The Mayfair Sports and Social Club's assets and liabilities for the previous and current year were as follows:

	At December 31,2002 Rs.	At December 31, 2003 Rs.
Equipment	125,000	140,000
Subscriptions in arrears	10,000	9,000
Subscriptions in advance	6,500	5,500
Creditors for soft drinks stock	17,500	21,500
Soft Drinks stocks	40,000	30,000
Rent owing	7,500	5,000
Electricity owing	5,250	7,000
Bank balance	36,150	65,000

During the year the cash receipts were:

Subscriptions (including Rs. 3,000 of arrears from previous year and the balance to be written off)	105,000
Soft Drinks takings	205,000
Sale of tickets for annual dinner	120,000
Sale of raffle tickets	9,000

The following payments were made during the year:

Affiliation fees	5,000
Purchase of equipment	40,000
Soft Drinks stocks	102,500
Soft Drinks salesman's wages	37,500
Catering	72,000
Hire of band	15,000
Raffle prizes	3,000
Rent of hall	75,000
Printing and postage	10,000
Electricity	29,050
Hon. Secretary's expenses	6,100
Repairs to equipment	15,000

Required: The Mayfair Sports and Social Club's

(i) Soft Drinks trading account for the year ended December 31, 2003 **(03)**

(ii) Income and expenditure account for the year ended Dec. 31, 2003 **(07)**

(iii) Balance sheet as at 31 December 2003. **(05)**

(Spring 2004, Q # 4)

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QUESTION-3

The treasurer of the Karachi Social Club prepared the following Receipts & Payments account for the year ended 30th September 1993:

Receipt	Rs.	Rs.	Payment	Rs.	Rs.
1992 1st Oct. Bal. b/f			1993		
Current account	1,320		Payment for bottle purchases		12,230
Deposit account	2,100		Rent & Rates		7,880
Cash in hand	60	3,480	Payment to entertainers		3,360
			Printing & stationery		1,720
			General expenses		4,490
			Bottle Stewards Wages		8,300
1993:					
Subscription		13,690			
Bottle Sales		24,850	Balance c/f		
Other sales from devices etc.		4,570	Current account	6,400	
Legacy from former member		2,000	Deposit account	4,600	
Bank deposit interest		420	Cash in hand	30	11,030
		49,010			49,010

The following information is made available to you:-

(a) Opening & Closing balances:

	1 Oct. 1992	30 Sep. 1993
	Rs.	Rs.
Bottle Stocks	1,630	1,850
Subscription in arrears.	770	620
Subscription in advance	250	310
Creditors for bottle purchases	1,330	1,150
Rent & Rates accrued	750	820
Fidelity bond given by Steward.	200	200

(b) The bottle sales of Rs.480 on the evening of 30th September 1993 have been retained in the steward's office and are not included in the above receipts and payments accounts.

Required:

(a) A trading account to show the Profit arising from the bottle. **(06)**

(b) Income & Expenditure account of the Club for the year ended 30th September 1993, and **(06)**

(c) A Balance Sheet as on that date. **(08)**

(May 1996, Foundation Part -1, Q # 5)

QUESTION-4

Following is the Receipts and Payments Account of Sehat Club for the year ended 30 June 2011:

Receipts and Payments Account
For the year ended 30 June 2011

Receipts	Rs.	Payments	Rs.
Opening balance	15,000	Salaries	63,500
Subscriptions	201,000	Rent	34,000
Entrance fees	63,000	Travelling expenses	1,500
Donations	38,000	Printing and stationery	1,000
Interest	16,000	General charges	2,500
Receipt on disposal of furniture	500	Periodicals	500
		Investments	200,000
		Closing balance	30,500
	333,500		333,500

Scanned with CamScanner

Balance Sheet
As on 30 June 2010

Funds & Liabilities		Rs.	Assets	Rs.
General Fund		172,500	Furniture – net	40,000
Liabilities:	Rent	11,000	Sports equipments – net	20,000
	Salaries	17,500	Investments	100,000
			Subscription receivable	15,000
			Interest receivables	11,000
			Bank balance	15,000
		201,000		201,000

Other details for the year ended 30 June 2011 are as follows:

(i) Furniture purchased on 1 July 2009 costing Rs. 4,000 was disposed off on 1 January 2011 at a scrap value of Rs. 500.

(ii) On 1 July 2010, furniture having written down value of Rs. 6,000 was traded-in with new furniture having fair value of Rs. 6,700.

(iii) Depreciation is charged on diminishing balance basis at 20% on furniture and 15% on sports equipments.

(iv) Sports equipments worth Rs. 12,000 were received at year end as donation.

(v) Following amounts are receivable / outstanding as at 30 June 2011:

	Rs.
Subscription receivable	8,000
Entrance fee receivable	3,000
Salaries outstanding	4,000
Rent outstanding	2,000

Required:

Prepare an income and expenditure account of Sehat Club for the year ended 30 June 2011 and its statement of financial position. **(18)**

(Autumn 2011, Q # 5)

QUESTION-5

The following balances have been obtained from the books of Gulshan Cricket Club:

	June 30, 2007	June 30, 2008
Building	6,024,000	6,438,150
Furniture	3,012,000	2,710,800
Books	1,129,500	1,246,950
Sports equipments	1,807,200	1,595,200
Investments	-	436,000
Advance subscription	86,000	92,000
Prepaid expenses	122,000	176,000
Expenses payable	186,900	207,600
Subscriptions receivable	326,000	357,000
Cash	1,204,800	1,586,500

The following information is also available in respect of the year ended June 30, 2008.

(i) Depreciation for the year has been credited directly to the asset accounts. The rates of depreciation are as follows:

Building	5%
Furniture and books	10%
Sports equipments	20%

(ii) The club had 600 members on June 30, 2008. No fresh members were admitted during the year but 10 members left the club on January 1, 2008. Subscription per member is Rs. 500 per month.

Required:

(a) Summary of receipts and payments made during the year ended June 30, 2008.

(b) Income and Expenditure Account for the year ended June 30, 2008. **(20)**

(Autumn 2008, Q # 4)

Scanned with CamScanner

QUESTION-6

The following information available from the records of ABC Sports Association for the year ended June 30, 2002:

	Rs.
Subscription received	250,000
Upkeep of play ground	30,000
Entrance fees received	80,000
Rent paid	12,000
Salaries and wages	32,000
Travelling expenses	9,000
Stock of equipment on July 1, 2001	90,000
Tournament expenses	14,000
Printing and stationery	30,000
General expenses	60,000
Tournament fees received	25,000
Tournament prizes awarded	7,000
Donations received	110,000
Stock of refreshments on July 1, 2001	5,400
Purchases of canteen stores and refreshments	84,600
Cash and bank balances	470,000
General fund	300,000
Subscription arrears	180,000
Creditors for expenses	33,000

(a) Subscription in arrears as on June 30, 2002 were as follows:

For 1999-2000	20,000
For 2000-2001	30,000
For 2001-2002	130,000

During the year, arrear subscription totaling Rs. 90,000 relating to earlier periods has been collected.

(b) Donations of Rs. 110,000 include Rs. 40,000 received on tournament account.

(c) 25 percent of the entrance fees has to be capitalized.

(d) Stock of refreshments as on June 30, 2002 was as under:

	Rs.
Value of provisions, stores, etc.	20,000
Value of eatables and perishables	5,000
Value of mineral water bottles, cigarettes etc.	3,000

(e) Separate funds and books of account are maintained for tournaments and separate profit is to be calculated for tournament. The Management Committee decided to value the items as follows:

(i) To value provisions and stores at cost.

(ii) The stock of perishables and eatables on the basis of realized sale proceeds on the subsequent day to the closing of accounts. Sales of eatables and perishables on July 1, 2002 amount to Rs. 2,750.

(iii) Mineral water bottles and cigarettes are to be valued at 80 percent of their purchase price.

(iv) A bill for the brochure brought out for the tournament is pending settlement and is for Rs. 12,000.

(v) Depreciation charge at the rate of 15% on net book value.

Required:

Prepare income and expenditure account for ABC Sports Association only for the year ended June 30, 2002. **(18)**

(Spring 2003, Q # 5)

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QUESTION-7

The accountant of Executive Club has resigned and Mr. Imdad has been assigned the task of preparing the accounts for the year ended December 31, 2006. On taking charge, Mr. Imdad found that the books had not been written since January. After searching the available records and discussing various issues with members of the management committee, he was able to gather the following information:

1. A member of management committee controls the receipts relating to snooker table charges, which totaled Rs. 3,225,000.
2. Members' subscriptions amounting to Rs. 3,650,000 were received during the year. Of these, Rs. 75,000 relate to the year 2007.
3. Rs. 3,000,000 had been donated for a new building and this sum is to be credited to Building Reserve account.
4. The club provides catering services on which a profit margin of 20% of sales is earned. Stocks and purchases relate to these services.
5. The carrying value of snooker tables as at January 1, 2006 was Rs. 4,900,000. The cost of the tables was Rs. 9,000,000. Tables acquired during the year were installed on December 31, 2006. 10 percent deposit on the newly acquired tables was paid on November 1, 2006. Balance is payable in January 2007. The expected life of each table is six years with nil scrap value.
6. A summary of the bank account for the year showed the following:

	Rs.		Rs.
Balance at Jan. 1, 2006	198,500	Insurance	90,000
Bank deposits (comprising of receipts from snooker table charges, subscriptions, donation and catering services)	26,160,500	Rent and rates	1,480,000
		Electricity	735,000
		Purchases	18,155,000
		Communications	92,500
		Withdrawals	4,232,500
		10% deposit on new snooker tables	130,000
		Balance at Dec. 31, 2006	1,444,000
	26,359,000		26,359,000

7. A summary of expenditure paid from petty cash is as follows:

	Rs.
Glasses and crockery	430,000
Wages	1,975,000
Sundry club expenses	290,000
Repairs to snooker equipment	510,000

8. Mr. Imdad was also able to ascertain the following balances as at December 31:

	2006 Rupees	2005 Rupees
Prepaid rent	150,000	125,000
Electricity bills payable	155,000	120,000
Suppliers balances	2,330,000	1,430,000
Stocks	2,995,000	1,940,000
Stocks of crockery	550,000	685,000

9. The club has a fidelity insurance policy and any cash deficiency up to a maximum of Rs. 1,000,000 is recoverable under the policy.

Required:

(a) An income and expenditure account for the year ended December 31, 2006 showing separately, the results relating to catering services. **(19)**

(b) A balance sheet as at December 31, 2006. **(07)**

(Spring 2007, Q# 4)

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QUESTION-8

The treasurer of a golf club has produced the following receipts and payments account for the year ended 31 December 2012:

Receipts	Rs.	Payments	Rs.
Balance at 1 January 2012	157,800	Canteen payments	213,000
Subscriptions	654,900	Wages & salaries – clubhouse	284,000
Canteen receipts	331,400	Wages & salaries – canteen	78,900
Golf course fees	284,000	Course repairs	149,900
Events receipts	86,800	Insurance	72,000
Competition fees	46,600	Electricity	47,300
Course equipment sold	19,800	Telephone	19,700
		Events expenses	47,300
		Sundry expenses	15,000
		Competition expenses	12,600
		Balance at 31 December 2012	641,600
	1,581,300		1,581,300

(i) Opening and closing balances of current assets and liabilities are as follows:

	1 January 2012	31 December 2012
	-------Amount in Rupees----	
Canteen trade payables	71,000	55,200
Canteen inventory	60,000	39,500
Subscriptions in arrears	15,800	27,600
Subscriptions in advance	55,200	35,500
Telephone due	3,900	5,900
Competition expenses due	3,200	3,900

(ii) Fixed assets balances at 1 January 2012, and the applicable depreciation rates are as follows:

	Cost	Accumulated Depreciation	Rate of dep. on cost
	-----Amount in Rupees----		
Clubhouse and course	3,156,000	214,600	5%
Fixtures and fittings	552,000	166,000	10%
Course equipment	1,262,000	542,000	20%

(iii) The value of clubhouse and course comprises of freehold land and buildings in the ratio of 60:40.

(iv) Course equipment costing Rs. 55,000 was disposed of during the year for Rs. 19,800. The equipment had been purchased on 1 January 2008. No depreciation is charged in the year of sale.

(v) The insurance premium paid during the year covers the period 1 October 2012 to 30 September 2013. The premium for the previous year amounted to Rs. 48,000.

(vi) The canteen manager is entitled to a bonus equal to 20% of canteen profits after charging his bonus.

(vii) NRV of the opening canteen inventory was Rs. 55,200.

Required:

(a) A Canteen Trading Account for the year ended 31 December 2012. **(04)**

(b) An Income & Expenditure Account for the year ended 31 December 2012 and a balance sheet of the club as at that date. Results of canteen, competition and events should be shown separately as a line item. **(20)**

(Spring 2013, Q#2)

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QUESTION-9

Seaview Club started its operations on 1 February 2015. Sponsor of the club contributed Rs.50 million towards general fund for the start of operations and placed the amount in the bank. Following is the receipts and payments summary for the period from the period from 1 February 2015 to 31 December 2015.

Receipts	Rs. in '000	Payments	Rs. in '000
Sponsor's contribution	50,000	Furniture & fixtures	1,200
Joining fees	20,800	Van	1,500
Subscription from members	29,952	Salaries	1,000
Sale of beverages	1,500	Rent	3,600
		Utilities	570
		Insurance	120
		Repairs and maintenance	275
		Payments for purchase of beverages	1,367
		Advance for plot	65,000
		Balance	27,620
	102,252		102,252

Additional information:

(i) The joining fee for award of membership is Rs.50,000. Annual subscription is Rs. 24,000. All new members pay three years' subscription in advance. The memberships were awarded as follows:

Month	March	June	September	December
No. of members	112	98	101	105

(ii) All sales of beverages are billed in the first week of the next month and the payment is received in the same month. Sale of beverages during December 2015 amounted to Rs.150,000.

(iii) Purchases made during the year of beverages amounted to Rs. 1,760. 25% of total purchases of beverages made during the year remained unsold at year-end.

(iv) Salaries are paid on the first day of next month. The amount of salaries includes an advance amounting to Rs. 10,000 paid to an employee on 1 December 2015. The advance is repayable on 1 February 2016.

(v) Rent for three years was paid in advance on 1 February 2015.

(vi) Presently the club is operating on rental premises. However, a plot of land has been purchased on which construction would commence shortly. Title of land would be transferred after completion of legal formalities.

(vii) Payments for utilities include security deposit paid to utility companies amounting to Rs.20,000. Utility bills are paid on the 7th day of the next month.

(viii) Insurance premium was paid on 1 February 2015 covering a period of 12 months.

(ix) Repairs and maintenance include an advance of Rs.100,000 paid to contractor for construction of a parking shed. Repair bills amounting to Rs.7,000 were outstanding at year-end.

(x) Furniture & fixtures and van were purchased on 1 February 2015. Depreciation on these assets is to be charged at 10% and 20% respectively.

Required

Prepaid statement of financial position as at 31 December 2015 and income & expenditure account of Seaview Club for the period ended 31 December 2015.

(20)

(Spring-16 Q.1 CAF-05)

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QUESTION-10

The Old Citizen Association furnished the following information for the year ended December 31, 2004:

(1) They started the year with Rs. 37,600 in the bank and ended with an overdraft of Rs. 45,600, which was secured by the deposit of investments with the bank.

(2) They received subscriptions amounting to Rs. 66,800 out of which Rs. 2,000 were arrears, Rs.60,800 and Rs. 4,000 represented current subscriptions and advance respectively.

(3) They received Rs. 41,600 donations for the General Fund. Rs. 68,000 donations were received for Medical Aid Fund out of which Rs. 57,600 was paid.

(4) Government securities at January 1, amounted to Rs. 160,000. Half of these were sold for Rs.100,000. These investments produced interest of Rs. 2,800 during the year.

(5) Office premises were purchased on December 31, 2004 for Rs. 240,000 and a mortgage was arranged through a bank for Rs. 120,000. Legal expenses amounted to Rs. 8,400. One installment of Rs. 6,400 was paid to the bank of which Rs. 3,600 was interest. Alterations and decorations of the premises amounted to Rs. 45,600 of which Rs. 12,000 was still owing.

(6) Office furniture was valued at Rs. 12,000 at January 1, 2004 Rs. 13,600 was paid for additions on January1, 2004 and Rs. 5,600 was still owing. Depreciation is estimated at 10 per cent per annum.

(7) Other payments were:

	Rs.
Office Salaries	28,000
Rent and rates	13,600 (Rs. 4,000 was payable on December 31, 2003)
Stationery and postage	12,000
Other expenses	69,200 (of which Rs. 6,400 related to next year)

Required:

(a) Prepare accounting entry for above transaction

(b) Prepare balance sheet

(c) Receipt and Payment Account for the year ended December 31, 2004. **(09)**

(d) Income and Expenditure Account for the year ended December 31, 2004. **(10)**

(Spring 2005, Q # 5)

QUESTION-11

The Accountant of Ghari's Charitable Hospital has prepared following Receipts & Payment Account for the year ended on December 31, 1999:

Receipt & Payment Account
For the year ended on December 31,1999

Receipts	Rs.	Payment	Rs.
Cash at bank and in hand	27,342	Medicines	49,131
OPD charges	59,673	X-Rays Film	25,000
X-Rays charges	40,440	Laboratory supplies	8,517
Laboratory charges	24,867	Consultant fees	156,500
In-patient billings	567,230	Salaries	298,450
Donations	345,200	Electricity	324,710
		Cleaning & general	38,549
		Stationery & supplies	19,825
		Repairs & maintenance	25,221
		Telephone charges	31,750
		Equipment	54,000
		Cash at bank and in hand	33,099
	1,064,752		1,064,752

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Following additional information is available:

a) Position of certain assets and liabilities as at December 31, 1999 and 1998 was as under:

	1999	1998
Salaries due	22,520	26,780
X-Rays charges	2,780	1,600
In-patient billings	57,920	27,270
Laboratory charges	2,100	1,900
Stock of medicines	7,450	6,230
Stock of Laboratory supplies & X-Rays Films	3,980	4,170
Electricity bill due	30,100	24,200
Telephone bill due	2,720	2,100
Cleaning & General due	3,710	2,400
Consultants fees payable	15,500	12,000
Equipment	614,000	560,000
Furniture	100,000	100,000
Creditors for:		
- medicines	4,500	4,000
- x-rays films	3,500	4,000
- lab supplies	1,300	1,200

(b) Both furniture and equipment as at December 31, 1998 were purchased in 1997 when hospital started its operations.

(c) It is hospital's policy to charge depreciation @ 10% p.a.

Required:

You are required to prepare:

(a) Income & Expenditure Account for the year ended on December 31, 1999 and

(b) Balance Sheet as at that date. **(23)**

QUESTION-12

The accountant of Leisure Club was terminated on account of charges of fraud on 31 December 2016 and Mr. Emad has been appointed in his place. Emad has gathered the following information in respect of the year ended 31 December 2016:

(i) The club has 3,300 members and the membership fee is Rs. 10,000 per annum. The fee payable by each member becomes due on the first day of the quarter in which he became a member. The fee received in each quarter was as follows:

Quarter	First	Second	Third	Fourth	Total
Subscription received (Rs.)	9,900,000	8,250,000	5,500,000	9,350,000	33,000,000

Last year the fee was Rs. 9,000 per annum. However, the number of members was the same.

(ii) A summary of the bank account for the year is shown below:

Deposits	Rs.	Withdrawals	Rs.
Balance as at 1 Jan. 2016	3,700,500	Insurance	175,000
Cash deposited into bank	37,848,500	Rent and rates	4,200,000
Written off amount recovered	1,860,000	Utilities	4,365,000
Disposal of fixed assets	750,000	Freehold land purchased	17,000,000
Members subscription received directly in bank account	19,800,000	Cash withdrawals from bank	6,120,000
		Payment to creditors	18,155,000
		Repairs and maintenance	700,000
		Exercise equipment	7,350,000
		Balance as at 31 Dec. 2016	5,894,000
	63,959,000		63,959,000

(iii) Amounts paid from petty cash were as follows:

	Rs.
Salaries	2,300,000
Sundry expenses	640,000

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(iv) The club has a tuck shop which earns a profit margin of 20% of sales. All sales of tuck shop are made on cash. During the year, stock costing Rs. 500,000 was destroyed by fire.

(v) The opening WDV of fixed assets was Rs. 28,000,000. Exercise equipment was purchased on 1 October 2016. Fixed assets having opening WDV of Rs. 800,000 were disposed off on 31 March 2016. Fixed assets are depreciated @ 20% under the reducing balance method.

(vi) The opening and closing balances of cash in hand were Rs. 300,000 and Rs. 25,000 respectively.

(vii) The following balances have been extracted through a scrutiny of the available records:

	2016	2015
	------Rupees------	
Creditors	3,330,000	2,500,000
Prepaid rent	175,000	168,000
Stock- tuck shop	2,500,000	2,300,000

Required:

(a) Determine the amount of loss incurred by the club due to fraud committed by the previous accountant. **(09)**

(b) An income and expenditure account for the year ended 31 December 2016. **(05)**

(c) Statement of financial position as at 31 December 2016. **(06)**

(Spring 2017, Q # 1)

QUESTION-13

Violin Family Club was formed in 2016. Following are the details of assets and liabilities of the club as on 31 December 2017:

Assets	Rs. in '000'	Liabilities	Rs. in '000'
Subscription in arreas:		Bank overdraft	181
2016	15	Subscription in advance for 2018	45
2017	90	Accrued electricity	23
Advance rent	24	Canteen wages	11
Canteen stock	215	Canteen creditors	118
Snooker tables	960		
Furniture & equipment	720		
	2,024		378

Additional information:

(i) Some of the balances as on 31 December 2018 are as follows:

Assets	Rs. in '000'	Liabilities	Rs. in '000'
Subscription in arrears for 2018	30	Accrued electricity	35
Canteen stock	247	Canteen creditors	142

(ii) Break-up of the subscription received during 2018 is as follows:

Related to year	Rs. in '000'
2017	60
2018	920
2019	75

The club's management has decided to write-off the remaining subscription in arrears relating to the year 2016 and 2017.

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(iii) A scheme was introduced in 2016 under which a person is awarded life time membership upon payment of Rs. 120,000. Life memberships received in the years 2016, 2017 and 2018 were 5, 8 and 6 respectively. Life memberships are credited to 'Life Membership Fund' upon receipt and are transferred to income equally over 10 years, starting from the year of admission.

(iv) The club operates a canteen. Till last year, the canteen earned a gross profit of 20% of sales. Effective 1 January 2018, selling prices were increased by 10%.

(v) Details of some payments during 2018 are as follows:

	Rs. in '000'
Canteen creditors	512
Salaries	285
Equipment	66
Electricity	263

(vi) Equipment acquired during the year is only 30% paid and the remaining amount is payable in February 2019.

(vii) Wages of canteen staff are paid on 5th of each month.

(viii) The club operates from a rented place. The rent is paid quarterly in advance on 1 March, 1 June, 1 September and 1 December. As per agreement, annual rent was increased by Rs. 6,000 with effect from 1 September 2018.

(ix) Balance of snooker tables as at 31 December 2017 represents the book value of 5 similar tables purchased in 2016. One of the tables was sold to a member for cash during the year for Rs.212,000.

(x) Snooker tables are depreciated at 12.5% on straight line method while furniture & equipment are depreciated at 20% using reducing balance method. Full year depreciation is charged in the year of addition whereas no depreciation is charged in the year of disposal.

Required:

(a) Prepare income and expenditure account for the year ended 31 December 2018 **(12)**

(b) Prepare statement of financial position as on 31 December 2018 **(09)**

(Spring 2019, Q # 6)

QUESTION-14

Following is the trial balance of Chongtar International Hospital as on 31 December 2019:

	Debit	Credit
	— Rs. in million —	
Burns ward - capital work in progress	55.3	
Cafeteria sales		24.4
Cash and bank balances	8.4	
Donations for burns ward		75.1
Expenses and gifts for 'walk on diabetes day'	2.6	
Fees from patients		125.0
General donations		82.6
General fund		195.6
Inventory – cafeteria	4.7	
Inventory - medicines	19.4	
Inventory - hospital supplies	8.5	
Medical equipment	185.4	64.2
Miscellaneous expenses	8.5	

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Other fixed assets	110.7	
Payables		54.7
Purchases - cafeteria	16.4	38.9
Purchases - medicines	60.5	
Purchases - hospital supplies	18.7	
Receivables - panel corporate	31.4	
Rent	19.6	
Sponsorship for 'walk on diabetes day'		2.2
Salaries - administrative staff	24.0	
Salaries - doctors and nursing staff	38.2	
Short term investments	38.0	
Utilities	12.4	
	662.7	662.7

Additional information:

(i) Cost of closing physical inventory of medicines and hospital supplies was Rs.25.8 million and Rs.13.8 million respectively. Medicines costing Rs.3.1 million were found expired. Medicines are only used to treat the admitted patients and are not sold separately.

(ii) Year-end physical count of cafeteria inventory could not take place. Goods are sold in cafeteria at a gross margin of 25% on sales.

(iii) Rent outstanding at year-end was Rs.1.4 million.

(iv) 15% of salaries and 10% of rent are related to cafeteria.

(v) Hospital facilities of Rs.48.6 million were provided free of charge to the patients.

(vi) 'Walk on diabetes day' was organised in December 2019. Expenses relating to the event amounting to Rs.1.2 million were outstanding and unrecorded at year end.

(vii) Medical equipment having fair value of Rs.36.8 million were received as donation. These have been brought into use but have not been recorded in the books.

(viii) Depreciation is charged on reducing balance method at 15% per annum.

Required:

(a) Prepare income and expenditure account for the year ended 31 December 2019 **(12)**

(b) Prepare statement of financial position as on 31 December 2019 **(06)**

(Spring 2020 Q.05)

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QUESTION-15

A fire broke out in the office of Moderna Sports Club (MSC) and burnt all the accounting records. The accountant was able to retrieve a burnt copy of financial statements of MSC for the year ended 31 December 2020. However, few information (as indicated by capital alphabets) were unreadable. The retrieved copy is as follows:

Balance sheet as on 31 December 2020

Funds and liabilities	Rs. in '000		Assets	Rs. in '000	
	2020	2019		2020	2019
General fund:			Fixed assets - net	1,403	1,300
Opening balance	A	1,586	Members' subscription	270	158
Excess of income over expenditure	B	C	Misc. supplies	13	10
			Tuck-shop rent	E	37
Tennis court fund	260	200	Advance salaries	18	15
			Bank	F	530
Liabilities:					
Members' subscription	20	25			
Salaries	52	41			
Utilities	25	D			
Annual sports event	10	-			

Income and expenditure account for the year ended 31 December 2020

Expenditure	Rs. in '000	Income	Rs. in '000
Salaries	G	Members' subscriptions	919
Utilities	221	Tuck-shop rent	252
Misc. supplies	H	Donation - sports equipment	70
Members' subscription written off	12	L	M
Annual sports event	I		
J	K		
Disposal of fixed assets	8		
Repair and maintenance	40		
Excess of income over expenditure	B		

Receipts and payments account for the year ended 31 December 2020

Receipts	Rs. in '000	Payments	Rs. in '000
Opening balance	530	Salaries	560
N	O	Fixed assets	92
Tennis court fund	P	Annual sports event	180
Contribution for annual sports event	49	Misc. supplies	132
Entrance fee - annual sports event	86	Utilities	214
Sale of fixed assets	21	Repair and maintenance	Q
Tuck-shop rent	248	Construction of tennis court	131
Scrap sale	15	Closing balance	F

Required:

Determine the missing information as indicated by capital alphabets.

(Redrafting of above financial statements is not required) **(18)***(Spring 2021 Q.05)*

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QUESTION-16

The accountant of Cereus Golf Club (CGC) was terminated on charges of fraud and you have been assigned the task of preparing the accounts for the year ended 31 December 2020. You have found that the proper books had not been maintained. The management of CGC has given you the following information:

(i) Cash and bank balances at 1 January 2020 amounted to Rs. 0.5 million and Rs. 2 million respectively. However, as on 31 December 2020 [illegible] cash balance and Rs. 4.2 million in the bank.

(ii) The members are required to pay 3 years' subscription in advance upon admission renewal. Full year subscription is charged from members joining during the year. Number of subscriptions received are as under:

Year	No. of memberships	3 years' subscription per member
2018	100	Rs. 60,000
2019	140	Rs. 75[illegible]
2020	160	Rs. 9[illegible]

During 2020, 10 members were awarded membership on special permission but they had not paid the subscription till year-end.

After year-end, 5 more members informed that they had paid the 3 years' subscription amount in 2020. It was found out that the amount was misappropriated by the accountant.

(iii) CGC had received a donation of Rs. 8 million in 2019 to meet the repair and maintenance expenditure of its golf course. Out of total donation, the club has spent Rs. 2.2 million and Rs. 2.8 million in 2019 and 2020 respectively.

(iv) CGC started purchasing golf kits in 2020 for sales as well as for rent purposes. 20% of the purchases were unpaid at year-end. Two third of the golf kit purchases made in 2020 had been added to inventory of golf kits for sale and remaining had been added directly to golf kits for rent.

(v) Golf kits are sold for cash at cost plus 40%. Cost of closing inventory of golf kits for sale amounted to Rs. 1 million. It was decided to transfer half of these kits into golf kits for rent at 30% of their original cost.

(vi) Some of the receipts and payments during the year were as follows:

	Rupees
Rent of golf kits	650,000
Golf kits purchases	4,800,000
Annual insurance (paid till April 2021)	660,000
Salaries (including Rs. 350,000 for 2019) j	2,800,000
Other expenses	2,320,000

(vii) CGC has a fidelity insurance policy and any cash deficiency upto a maximum of Rs. 2 million is recoverable under the policy.

(viii) Fixed assets at 1 January 2020 had a book value of Rs. 25 million. All fixed assets are to be depreciated at 15% per annum.

Required:

(a) Prepare income and expenditure account for the year ended 31 December 2020. **(11)**

(b) Prepare statement of financial position as on 31 December 2020. **(09)**

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ICAP PAST PAPER SOLUTIONS

Answer-1

Amount to be transferred to income ad expenditure account is (W-1) Rs. 335,000.

(W-1)

Dr.	Subscription account		Cr.
op. receivable	200,000	op. advance	90,000
I and E (bal.)	335,000	Cash	480,000
cl. advance	85,000	cl. receivable	50,000
	620,000		620,000

Answer- 2

(i) **Profit from soft drinks**

	Rs.	Rs.
Revenue		205,000
Less: COS		
Op. stock	40,000	
Purchases	106,500	
Wages	37,500	
Less; Cl. Stock	(30,000)	(154,000)
Profit		51,000

(ii)

Mayfair Sports and Social Club
Income and Expenditure account
for the year ended December 31, 2003

		Rs.
Incomes		
Profit from soft drinks		51,000
Sale of tickets for annual dinner		120,000
Profit of raffle	(9,000 – 3,000)	6,000
Subscription	(W-2)	112,000
		289,000
Expenses		
Affiliation fees		5,000
Catering		72,000
Hire of band		15,000
Rent of hall	(W-5)	72,500
Printing and postage		10,000
Electricity	(W-6)	30,800
Hon. Secretary expenses		6,100
Repairs to equipment		15,000
Bad debt	(W-2.1)	7,000
Depreciation	(W-4)	25,000
		(258,400)
Surplus/ (deficit)		30,600

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(iii)

Mayfair Sports and Social Club
Balance Sheet
as on December 31, 2003

		Rs.
Fund and liabilities		
Fund		
Opening Fund	(W-1)	174,400
Surplus/(Deficit)		30,600
		205,000
Current Liabilities		
Subscription in advance		5,500
Creditors for soft drinks		21,500
Rent owing		5,000
Electricity owing.		7,000
		39,000
Total		**244,000**
Assets		
Non-Current Assets		
Equipment		140,000
Current Assets		
Soft drinks stocks		30,000
Subscription in arrears		9,000
Bank		65,000
		104,000
Total		**244,000**

WORKINGS

(W-1) Opening fund

Assets	
Equipment	125,000
Soft drinks stocks	40,000
Subscription in arrears	10,000
Bank	36,150
	211,150
Liabilities	
Subscription in advance	6,500
Creditors for soft drinks	17,500
Rent owing	7,500
Electricity owing	5,250
	(36,750)
Opening Fund	**174,400**

(W-2) Subscription account

Dr.			Cr.
op. receivable	10,000	op. advance	6,500
I and E (bal.)	112,000	Cash and bank	105,000
		Bad debt (W-2.1)	7,000
cl. advance	5,500	cl. receivable	9,000
	127,500		127,500

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	Rs.
(W-2.1)Opening receivable	10,000
Less: Received during the year	(3,000)
Bad debt	7,000

(W-3)

Dr.	Creditors for soft drinks		Cr.
Cash and bank	102,500	op.	17,500
cl.	21,500	Purchases (bal.)	106,500
	124,000		124,000

(W-4)

Dr.	Equipment		Cr.
op.	125,000	Depreciation (bal.)	25,000
Cash and bank	40,000	c/d	140,000
	165,000		165,000

(W-5)

Dr.	Rent		Cr.
Cash and bank	75,000	op.	7,500
cl.	5,000	I and E (bal.)	72,500
	80,000		80,000

(W-6)

Dr.	Electricity		Cr.
Cash and bank	29,050	op.	5,250
cl.	7,000	I and E (bal.)	30,800
	36,050		36,050

Answer- 3

Profit from Bottles

			Rs.
Bottles sales	(24,850 + 480)		25,330
Less: COS			
Op. stock		1,630	
Purchases	(W-3)	12,050	
Wages		8,300	
Less: Cl. Stock		(1,850)	(20,130)
Profit			5,200

As Rs. 480 is with forward so we will debit the Cash and credit the Sale.

b)

Karachi Social Club
Income and Expenditure account
for the year ended September 30, 1993

		Rs.
Incomes		
Profit from bottles	(part-a)	5,200
Subscription	(W-2)	13,480
Other sales from devices		4,570
Interest on bank deposit		420
		23,670
Expenses		
Rent and rates	(W-4)	7,950
Entertainers expense		3,360
Printing and stationery		1,720
General expenses		4,490
		(17,520)
Surplus/ (deficit)		6,150

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Karachi Social Club
Balance Sheet
as on September 30,1993

		Rs.
Fund and liabilities		
Fund		
Opening Fund	((W-1) 3,350 + 2,000)	5,350
Surplus/(Deficit)		6,150
		11,500
Current Liabilities		
Subscription in advance		310
Creditors for bottles purchases		1,150
Rent and rates accrued		820
Fidelity bond given by steward		200
		2,480
Total		**13,980**
Assets		
Current Assets		
Bottles stocks		1,850
Subscription in arrears		620
Current account		6,400
Deposit account		4,600
Cash	(30 + 480)	510
		13,980
Total		**13,980**

WORKINGS

(W-1) **Opening fund**

	Rs.
Assets	
Bottles stocks	1,630
Subscription in arrears	770
Current account	1,320
Deposit account	2,100
Cash	60
	5,880
Liabilities	
Subscription in advance	250
Creditors for bottles purchases	1,330
Rent and rates accrued	750
Fidelity bond given by steward	200
	(2,530)
	3,350

(W-2) **Subscription account**

Dr.			Cr
op. receivable	770	op. advance	250
I and E (bal.)	13,480	Cash and bank	13.690
cl. advance	310	cl. receivable	620
	14,560		14,560

(W-3) **Creditors-Bottles purchases**

Dr.			Cr
Cash and bank	12,230	op.	1,330
cl.	1,150	Purchases (bal)	12,050
	13,380		13,380

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(W-4) **Rent and rates**

Dr.		Cr.	
Cash and bank	7,880	op	750
cl.	820	I and E (bal.)	7,950
	8,700		8,700

Answer-4

Sehat Club
Income and Expenditure account
for the year ended June 30, 2011

		Rs.
Incomes		
Subscription	(W-1)	194,000
Entrance fees	(W-2)	66,000
Donations	(38,000 + 12,000)	50,000
Interest	(W-3)	5,000
Gain on exchange of asset	(W-7)	700
		315,700
Expenses		
Salaries	(W-10)	50,000
Rent	(W-11)	25,000
Travelling expense		1,500
Printing and stationery		1,000
General charges		2,500
Periodicals		500
Depreciation – sports equipment	(20,000 × 15%)	3,000
Depreciation – furniture	(W-9)	7,820
Loss on disposal of asset	(W-6)	2,380
		(93,700)
Surplus		222,000

Sehat Club
Balance Sheet
As on June 30, 2011

		Rs.
Fund and liabilities		
Fund:		
Opening Fund		172,500
Surplus/(Deficit)		222,000
		394,500
Current liabilities:		
Salaries outstanding		4,000
Rent outstanding		2,000
		6,000
Total		400,500
Assets		
Non-Current Assets:		
Sports equipment	(W-4)	29,000
Furniture	(W-5)	30,000
		59,000
Investments	(100,000 + 200,000)	300,000

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Current Assets:	
Bank	30,500
Subscription receivable	8,000
Entrance fee receivable	3,000
	41,500
Total	400,500

WORKINGS

(W-1)

Dr.	Subscription account		Cr.
Op. receivable	15,000	Cash and bank	201,000
I and E (bal.)	194,000	cl. receivable	8,000

(W-2)

Dr.	Entrance fee account		Cr.
Op. receivable	-	Cash and bank	63,000
I and E (bal.)	66,000	cl. receivable	3,000

(W-3)

Dr.	Interest income		Cr.
Op.	11,000	Cash and bank	16,000
I and E (bal.)	5,000	cl.	0

(W-4)

Dr.	Sports equipment		Cr.
Op.	20,000	Depreciation expense	3,000
Donation (Additions)	12,000	cl. (bal.)	29,000

(W-5)

Dr.	Furniture account		Cr.
b/d	40,000	Disposal (W-8)	2,880
Disposal (new)	6,700	Disposal	6,000
		Depreciation expense (W-9)	7,820
		c/d (bal.)	30,000

(W-6)

Dr.	Disposal account (Adj. # i)		Cr.
Furniture a/c (old) (W-8)	2,880	Cash and bank	500
		P and L (bal.)	2,380

(W-7)

Dr.	Disposal account (Adj. # ii)		Cr.
Furniture a/c (old)	6,000	Furniture (new)	6,700
P/L (bal.)	700		

Entry for exchange:

	Dr.	Cr.
Furniture (new)	6,700	
P/L (bal.)		700
Furniture (old)		6,000

(W-8) **WDV of disposals**

Cost	4,000
Less: Depreciation 30.6.2010 (4,000 × 20%)	(800)
WDV (30.06.2010)	3,200
Less: Depreciation till 1.1.2011 (3,200 × 20% × 6/12)	(320)
WDV (1.1.2011)	2,880

(W-9) Depreciation expense – furniture

Depreciation – on opening assets excluding disposals			
Opening assets WDV	40,000		
Disposals WDV ((W-8) 3,200 + 6,000)	(9,200)		
	30,800	20%	6,160
Depreciation – on additions	(6,700×20%)		1,340
Depreciation – on disposals	(W-8)		320
			7,820

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(W-10)

Salaries account

Dr.		Cr.	
Cash and bank	63,500	op.	17,500
cl.	4,000	I and E (bal.)	50,000

(W-11)

Rent account

Dr.		Cr.	
Cash and bank	34,000	op.	11,000
cl.	2,000	I and E (bal.)	25,000

Answer-5

It was a good question which tested the analytical skills of the students. Examinees were required to calculate the additions made to the non-current assets by grossing up the book value using the depreciation rates given. Further the opening and closing balances of receipt and payment account were given and no information was given regarding expense incurred during the year so expense paid would be calculated as a balancing figure in the receipt end payment account. The students which were able to understand the above mentioned points had no problem in preparing the income and expenditure account.

(a)

Gulshan Cricket Club
Receipt and Payment Account
For the year ended June 30, 2008

Receipts	Rs.	Payments	Rs.
b/d	1,204,800	Building (W-2.1)	753,000
Subscription (W-1)	3,605,000	Furniture (W-2.2)	-
		Books (W-2.3)	256,000
		Equipment (W-2.4)	186,800
		Investment	436,000
		Expenses (bal. fig.)	1,591,500
		c/d	1,586,500
	4,809,800		4,809,800

WORKINGS

(W-I)

Subscription a/c

Dr.		Cr.	
b/d	326,000	b/d	86,000
I & E (W-1.1)	3,630,000	Cash (bal. fig.)	3,605,000
c/d	92,000	c/d	357,000
	4,048,000		4,048,000

(W-1.1) **Subscription income for the year**

Period Covered	Months	Member	Rate/month	Total
From Jul 1, 2007 - Dec 31, 2007	6	610	500	1,830,000
From Jan 1, 2008 - Jun30, 2008	6	600	500	1,800,000
Total income				3,630,000

(W-2) For the purpose of calculating additions figure for non-current assets we will prepare the relevant asset accounts. Opening and closing balances of asset accounts have been given and the rate of depreciation is given in the question so we can calculate the depreciation figure using the closing book values of asset accounts. For example if depreciation rate is 5%, it means that closing book value represents 95%. After calculating the depreciation figure the additions will be the balancing figure.

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(W-2.1)

Building account

Dr.			Cr.
b/d	6,024,000	Depreciation (6,438,150 × 5/95)	338,850
Additions (bal. fig.)	753,000	c/d	6,438,150
	6,777,000		6,777,000

(W-2.2)

Furniture account

Dr.			Cr.
b/d	3,012,000	depreciation (2,710,800 × 10/90)	301,200
Additions (bal. fig.)	-	c/d	2,710,800
	3,012,000		3,012,000

(W-2.3)

Books account

Dr.			Cr.
b/d	1,129,500	Depreciation (1,246,950 × 10/90)	138,550
Additions (bal. fig.)	256,000	c/d	1,246,950
	1,385,500		1,385,500

(W-2.4)

Equipment

Dr.			Cr.
b/d	1,807,200	Depreciation (1,595,200 × 20/80)	398,800
Additions (bal. fig.)	186,800	c/d	1,595,200
	1,994,000		1,994,000

(b)

Gulshan Cricket Club
Income and Expenditure Account
for the year ended June 30. 2008

		Rs.	Rs.
Income			
Subscription	(W-1.1)		3,630,000
Expenditure			
Expenses (other than depreciation)	(W-1)	1,558,200	
Depreciation			
- Building		338,850	
- Furniture		301,200	
- Books		138,550	
- Sports Equipment		398,800	2,735,600
Surplus/ (deficit)			**894,400**

WORKINGS

(W-1)

The payment of expenses has already been calculated in the part (a) as balancing figure and the opening and closing balances of expense payable and prepaid expenses have been given in the question, so putting all these in the T account we can calculate the expense for the year as balancing figure.

Expense account

Dr.			Cr.
b/d	122,000	b/d	186,900
Cash (part-a)	1,591,500	I & E (bal. fig.)	1,558,200
c/d	207,600	c/d	176,000
	1,921,100		1,921,100

As far as the answer is concerned, it is complete, now lets move forward and check the solution. Think for 5 minutes before you proceed that how the solution can be checked.

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Gulshan Cricket Club
Balance sheet
as on June 30, 2008

	2007	2008
Assets		
Building	6,024,000	6,438,150
Furniture	3,012,000	2,710,800
Books	1,129,500	1,246,950
Sports equipments	1,807,200	1,595,200
Investments	-	436,000
Cash	1,204,800	1,586,500
Prepaid expenses	122,000	176,000
Subscription receivable	326,000	357,000
Total assets	**13,625,500**	**14,546,600**
Liabilities		
Expenses payable	186,900	207,600
Advance subscription	86,000	92,000
Total liabilities	272,900	299,600
Fund (Total assets - Total liabilities)	**13,352,600**	**14,247,000**
-Fund 2008		14,247,000
Fund 2007		(13,352,600)
Difference (Surplus/ (deficit) as calculated above)		**894,400**

Answer-6

ABC Sports Association
Income and Expenditure account
for the year ended June 30, 2002

		Rs.
Incomes		
Entrance fee	(80,000 – 25% of 80,000)	60,000
Donations	(110,000 – 40,000)	70,000
Subscription	(W-2)	290,000
Profit on tournament	(W-l)	32,000
		452,000
Expenses		
Canteen store and refreshment consumed	(W-4)	64,850
Upkeep of play ground		30,000
Rent		12,000
Salaries and Wages		32,000
Travelling expenses		9,000
Printing and stationery		30,000
General expenses		60,000
Depreciation – equipment	(90,000 × 15%)	13,500
		(251,350)
Surplus/ (deficit)		**200,650**

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WORKINGS

(W-1) **Profit from tournament**

Revenue			
Donation			25,000
			40,000
			65,000
Less: Expenses			
Tournament expenses		14,000	
Tournament prizes awarded		7,000	
Brochure expense		12,000	(33,000)
Profit			32,000

(W-2)

Dr.	Subscription account		Cr.
op. receivable (20,000 + 30,000 + 90,000)	140,000	Cash	250,000
I and E (bal.)	290,000	cl. receivable (20,000+30,000+130,000)	180,000
	430,000		430,000

As the receivable of 2000 and 2001 is outstanding on 30.6.2002, so to arrive at the op. receivable at 1.7.2001 we have to add in this balance the receipts of previous years received in current year.

(W-3) **Stock of refreshment**

		Cost	Value
Value of provisions, stores etc.		20,000	20,000
Value of eatables and perishables		5,000	2,750
Value of mineral water bottles, cigarettes	(3,000 × 80%)	3,000	2,400
			25,150

Subsequent sale of eatables shows that NRV on balance sheet date was Rs. 2,750.

(W-4)

Dr.	Canteen store and refreshment consumed		Cr.
b/d	5,400	I and E (bal.)	64,850
Cash	84,600	c/d (W-3)	25,150
	430,000		430,000

Answer- 7

(a)

Executive Club
Income and Expenditure account
for the year ended December 31, 2006

		Rs.
Incomes		
Receipts from snooker table		3,225,000
Profit from catering services	(W-1)	4,500,000
Subscription	(W-2)	3,575,000
		11,300,000
Expenses		
Insurance		90,000
Rent and rates	(W-6)	1,455,000
Electricity	(W-7)	770,000
Communications		92,500
Wages		1,975,000
Sundry club expenses		290,000
Repairs to snooker equipment		510,000
Glass and crockery consumed	(W-5)	565,000
Depreciation	(9,000,000/6)	1,500,000
Misappropriation expense	(W-4.1)	6,242,000
		(13,489,500)
Deficit		(2,189,500)

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(b)

Executive Club
Balance Sheet
as on December 31, 2006

		Rs.
Fund and liabilities		
Fund		
Opening Fund	(W-9)	6,298,500
Surplus/(Deficit)		(2,189,500)
		4,109,000
Building Reserve account		3,000,000
Current Liabilities		
Suppliers		2,330,000
Electricity bills payable		155,000
Subscription in advance		75,000
Payable for snooker tables	(W-8)	1,170,000
		3,730,000
Total		**10,839,000**
Assets		
Non-Current Assets		
Snooker table	(9,000,000 + (W-8) 1,300,000)	10,300,000
Less Accumulated depreciation	(4,100,000 + 1,500,000)	(5,600,000)
		4,700,000
Current Assets:		
Bank		1,444,000
Prepaid rent		150,000
Stocks		2,995,000
Stocks of crockery		550,000
Insurance claim receivable		1,000,000
		6,139,000
Total		**10,839,000**

WORKINGS

(W-1) Profit from catering services

		Rs.	Rs.
Revenue	(W-1.1)		22,500,000
Less: COS			
Op. stock		1,940,000	
Purchases	(W-3)	19,055,000	
Less: Cl. Stock		(2,995,000)	(18,000,000)
Profit			**4,500,000**

(W-1.1)

Revenue = (Cost of sales (W-1) / 80 ×100)
= 18,000,000/ 80 × 100
= 22,500,000

(W-2)

Subscription account

Dr.			Cr.
I and E (bal.)	3,575,000	Cash	3,650,000
cl. advance	75,000		
	3,650,000		3,650,000

(W-3)

Supplier account

Dr.			Cr.
Bank	18,155,000	op.	1,430,000
cl.	2,330,000	Purchases (bal.)	19,055,000
	20,485,000		20,485,000

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(W-4)

Dr.	Cash account		Cr.
op.	-	Glass and crockery	430,000
Snooker table charges	3,225,000	Wages	1,975,000
Subscription	3,650,000	Sundry club exp.	290,000
Building reserve fund	3,000,000	Repairs	510,000
Revenue	22,500,000	Bank	26,160,500
Bank	4,232,500	Misappropriation exp. (bal.)	7,242,000
		c/d	-
	36,607,500		36,607,500

(W-4.1) **Journal entry for cash misappropriation**

	Dr.	Cr.
Insurance claim receivable	1,000,000	
I and E (bal.)	6,242,000	
Cash		7,242,000

(Cash misappropriation transferred to income and expenditure)

(W-5)

Dr.	Glass and crockery account		Cr.
op.	685,000	I and E (bal.)	565,000
Cash	430,000	cl.	550,000
	1,115,000		1,115,000

(W-6)

Dr.	Rent and rates		Cr.
op.	125,000	I and E (bal.)	1,455,000
Bank	1,480,000	cl.	150,000
	1,605,000		1,605,000

(W-7)

Dr.	Electricity		Cr.
Bank	735,000	op.	120,000
cl.	155,000	I and E (bal.)	770,000
	890,000		890,000

(W-8) **Journal entry for snooker table purchased**

		Dr.	Cr.
Snooker table	(130,000/10 × 100)	1,300,000	
Bank			130,000
Payable for snooker table	(bal.)		1,170,000

By grossing up the deposit of 130,000 given in bank account we can calculate the cost.
On additions no depreciation will be charged because these were purchased on December 31.

(W-9) **Opening fund**

	Rs.
Assets	
Snooker table	9,000,000
Less: Accumulated Depreciation	(4,100,000)
Prepaid rent	125,000
Stocks	1,940,000
Stocks of crockery	685,000
Bank	198,500
	7,848,500
Liabilities	
Suppliers	1,430,000
Electricity payable	120,000
	(1,550,000)
Opening Fund	6,298,500

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Answer-8

(a)

Golf Club
Trading account for canteen
for the year ended December 31, 2012

		Rs.	Rs.
Revenue			331,400
Less: Cost of sales			
Opening stock	(Lower of cost or NRV)	55,200	
Purchases	(W-1)	197,200	
Wages		78,900	
Less: Closing Stock		(39,500)	(291,800)
Profit before bonus			39,600
Less: Bonus	(39,600/120 × 20)		(6,600)
Profit after bonus			33,000

(b)

Golf Club
Income and Expenditure account
for the year ended December 31, 2012

		Rs.
Incomes		
Subscription	(W-2)	686,400
Canteen profit	(Part-a)	33,000
Golf course fees		284,000
Event profit	(86,800 – 47,300)	39,500
Gain on sale of course equipment	(W-8)	8,800
Competition profit	(46,600 – (W-4) 13,300)	33,300
		1,085,000
Expenses		
Wages and salaries club house		284,000
Course repairs		149,900
Electricity		47,300
Sundry expenses		15,000
Telephone expense	(W-3)	21,700
Insurance	(W-5)	54,000
Depreciation		
Club house and course	(3,156,000 × 40%) × 5%	63,120
Fixtures and fittings	(552,000 × 10%)	55,200
Course equipment	(W-7)	241,400
		(931,620)
Surplus		153,380

Golf Club
Balance Sheet
as on December 31, 2012

Fund and Liabilities		
Fund		
Opening Fund	(W-9)	4,178,900
Surplus/(Deficit)		153,380
		4,332,280
Current Liabilities		
Canteen trade payable		55,200
Subscription in advance		35,500

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Telephone due		5,900
Competition expense due		3,900
Bonus payable	(part-a)	6,600
		107,100
Total		**4,439,380**
Assets		
Non-Current Assets		
Club house and course		3,156,000
Less: Accumulated depreciation	(214,600 + 63,120)	(277,720)
Fixtures and fittings		552,000
Less: Accumulated depreciation	(166,000 + 55,200)	(221,200)
Course equipment	(W-6)	1,207,000
Less: Accumulated depreciation	(W-7)	(739,400)
		3,676,680
Current Assets:		
Cash and bank		641,600
Canteen inventory		39,500
Subscription arrears		27,600
Insurance prepaid	(W-5)	54,000
		762,700
Total		**4,439,380**

WORKINGS

(W-1) **Canteen trade payables**

Dr.		Cr.	
Cash and bank	213,000	op.	71,000
cl.	55,200	Purchases (bal.)	197,200

(W-2) **Subscription account**

Dr.		Cr.	
op. receivable	15,800	op. advance	55,200
I and E (bal.)	686,400	Cash and bank	654,900
cl. advance	35,500	cl. receivable	27,600

(W-3) **Telephone**

Dr.		Cr.	
Cash and bank	19,700	op.	3,900
cl.	5,900	I and E (bal.)	21,700

(W-4) **Competition expenses**

Dr.		Cr.	
Cash and bank	12,600	op.	3,200
cl.	3,900	I and E (bal.)	13,300

(W-5) **Insurance expenses**

Dr.		Cr.	
op. (48,000/12 × 9)	36,000	I and E (bal.)	54,000
Cash and bank	72,000	cl. (72,000/12 × 9)	54,000

(W-6) **Course equipment**

Dr.		Cr.	
op.	1,262,000	Disposal	55,000
		cl. (bal.)	1,207,000

(W-7) **Accumulated depreciation**

Dr.		Cr.	
Disposal (55,000 × 20% × 4)	44,000	op.	542,000
cl. (bal.)	739,400	Depreciation (1,262,000 – 55,000) × 20%	241,400

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(W-8)

Dr.	Disposal		Cr.
Course equipment	55,000	Accumulated dep.	44,000
I and E (bal.)	8,800	Cash and bank	19,800

(W-9)

Opening fund		Rs.
Assets		
Cash and bank		157,800
Canteen inventory		55,200
Subscription arrears		15,800
Club house and course		3,156,000
Less: Accumulated depreciation		(214,600)
Fixtures and fittings		552,000
Less: Accumulated depreciation		(166,000)
Course equipment		1,262,000
Less: Accumulated depreciation		(542,000)
Prepaid insurance	(W-5)	36,000
		4,312,200
Liabilities		
Canteen trade payables		71,000
Subscription advance		55,200
Telephone due		3,900
Competition expense due		3,200
		(133,300)
		4,178,900

Answer-9

Seaview Club
Income and Expenditure account
for the year ended December 31, 2015

		Rs. in '000'
Incomes		
Profit from beverages	(W-1)	330
Joining fee income		20,800
Subscription income	(W-2)	4,630
		25,760
Expenses		
Insurance	(W-6)	(110)
Rent	(3,600/36 months × 11 months)	(1,100)
Salaries	(W-4)	(1,089)
Utilities	(W-5)	(605)
Repairs and maintenance	(W-7)	(182)
Depreciation	(W-3)	(385)
		(3,471)
Surplus		22,289

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Seaview Club
Statement of Financial Position
as on December 31, 2015

		Rs. in '000'
General Fund and liabilities		
General Fund		
General fund balance inserted		50,000
Surplus/(Deficit)		22,289
		72,289
Non-current liabilities		
Subscription in advance - non current portion		15,338
Current Liabilities		
Subscription in advance - current portion	(W-2)	9,984
Creditors	(W-1.2)	393
Salary payable	(W-4)	99
Repair and maintenance payable		7
Utilities payable	(W-5)	55
		10,538
Total		**98,165**
Assets		
Non-Current Assets		
Furniture and Fixture	(1,200 – 110)	1,090
Van	(1,500 – 275)	1,225
		2,315
Advance rent	(3,600/36M × (25 – 12) = 13M)	1,300
Security deposit		20
		150
Current Assets:		440
Receivable of Beverages	(W-1)	10
Stocks		1,200
Advance salary	(3,600/36M × 12M)	65,000
Advance rent		27,620
Advance for plot		10
Bank		1
Advance for shed	(W-6)	94,53
Prepaid Insurance		98,16
Total		Rs. 1,6

WORKINGS

(W-1) Profit from beverages	(W-1.2)	
Revenue		1,7
Less: COS		(44
Op. stock		(1,3
Purchases	(1,760 × 25%)	3
Less: Closing Stock		
Cost of sales		
Profit		

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(W-1.1)

Dr.	Creditor		Cr.
Cash	1,367	Opening	-
Closing (bal.)	393	Purchases	1,760

(W-1.2)

Dr.	Debtor account- Beverages		Cr.
Op. receivable	-	Cash	1,500
Sales (bal.)	1,650	cl. Receivable	150

(W-2)

Dr.	Subscription account		Cr.
Op. receivable	-	Op. advance	-
I and E (see below)	4,630	Cash	29,952
cl. Advance (bal.)	25,322	cl. receivable	

		Rs. in '000'
Income for the year		
Income from members entered in March	(112 members × Rs. 24 × 10/12)	2,240
Income from members entered in June	(98 members × Rs. 24 × 7/12)	1,372
Income from members entered in September	(101 members × Rs. 24 × 4/12)	808
Income from members entered in December	(105 members × Rs. 24 × 1/12)	210
		4,630

Break-up of closing advance in current and non-current portion	
Closing advance as per T- account	25,322
Less: Current portion (112 + 98 + 101 + 105) x Rs.24	(9,984)
Non-current portion	**15,338**

(W-3) Depreciation Expense for the year

Furniture and Fixture	(1,200 × 10% × 11/12)	110
Van	(1,500 × 20% × 11/12)	275
		385

(W-4)

Dr.	Salaries account		Cr.
Cash	1,000	I and E (bal.)	1,089
cl. Payable (see below)	99	cl. Advance	10
Salaries paid from February - November	(1,000 – 10)		990
Salary for December yet payable	(990/10 months)		99

(W-5)

Dr.	Utilities expense		Cr.
Cash (570 – 20)	550	I and E (bal.)	605
c/d (550/10M x 1M)	55		

(W-6)

Dr.	Insurance expense		Cr.
Cash	120	I and E (bal.)	110
		c/d (150/12 – 1)	10

(W-7)

Dr.	Repair expense		Cr.
Cash (275 – 100)	175	I and E (bal.)	182
c/d	7		
	885		

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Answer-10

(a)

Old Citizen Association
Receipt and Payment account
for the year ended December 31,2004

Dr.	Rs.		Cr. Rs.
b/d (opening balance of bank)	37,600		
Subscription account	66,800	Medical Aid Fund	57,600
General Fund	41,600	Office Premises	240,000
Medical Aid Fund	68,000	Premises (legal expense)	8,400
Government securities- Sale proceeds	100,000	Loan repayment (6,400 – 3,600)	2,800
Interest on securities	2,800	Interest on loan	3,600
Loan (mortgage)	120,000	Premises (alteration and decoration) (45,600 – 12,000)	33,600
		Furniture	13,600
		Office salaries	28,000
		Rent and rates	13,600
		Stationery and postage	12,000
c/d (closing O/D balance of bank)	45,600	Other expenses	69,200
	482,400		482,400

(b)

Old Citizen Association
Income and Expenditure account
for the year ended December 31, 2004

		Rs.
Incomes		
Subscription	(W-1)	60,800
Profit on sale of Government securities	(100,000-(W-2)80,000)	20,000
Interest on Government securities		2,800
		83,600
Expenses		
Interest on loan		3,600
Depreciation	((W-3) 31,200 × 10%)	3,120
Office salaries		28,000
Rent and rates	(W-4)	9,600
Stationery and postage		12,000
Other expenses	(W-5)	62,800
		(119,120)
Surplus/ (deficit)		(35,520)

WORKINGS

(W-1)

Dr.	Subscription account		Cr.
op. receivable	2,000	op. advance	-
I and E (bal.)	60,800	Bank	66,800
cl. advance	4,000	cl. receivable	-
	66,800		66,800

(W-2)

Dr.	Government securities		Cr.
op.	160,000	Disposal (160,000/2)	80,000
		cl. (bal.)	80,000
	160,000		160,000

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(W-3) **Office Furniture account**

Dr.			Cr.
op.	12,000		
Bank	13,600		
Payable for furniture	5,600	cl. (bal.)	31,200
	31,200		31,200

(W-4) **Rent and rates**

Dr.			Cr.
		op. payable	4,000
Bank	13,600	I and E (bal.)	9,600
	13,600		13,600

(W-5) **Other expenses**

Dr.			Cr.
Bank	69,200	I and E (bal.)	62,800
		cl. Advance	6,400
	69,200		69,200

Note: It is assumed that legal expenses are for the purpose of premises

Journal entries for understanding purposes (Not a part of ICAP question)		**Dr.**	**Cr.**
(3)	Bank	41,600	
	General Fund		41,600
	(General fund receipts)		
	Bank	68,000	
	Medical Aid Fund		68,000
	(Specific fund receipts to meet expenses)		
	Medical Aid Fund	57,600	
	Bank		57,600
	(Expenditure from specific fund)		
(4)	Bank	100,000	
	P and L		20,000
	Government securities (160,000/2)		80,000
	(Entry for disposal of investment)		
(5)	Premises	240,000	
	Bank		240,000
	(Purchase of premises)		
	Bank	120,000	
	Loan (Mortgage)		120,000
	(Loan arranged for premises)		
	Premises	8,400	
	Bank		8,400
	(legal expense paid- assumed for the purpose of premises)		
	Loan (bal.)	2,800	
	Interest Expense	3,600	
	Bank		6,400
	(Repayment of loan and interest)		
	Premises (alteration and decoration)	45,600	
	Bank (bal.)		33,600
	Payable for alteration and decoration		12,000

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Answer-11

(a)

Gharib Charitable Hospital
Income and Expenditure account
for the year ended December 31,1999

		Rs.
Incomes		
OPD charges	(W-1)	59,673
X-Ray charges	(W-3)	41,620
Laboratory charges	(W-2)	25,067
In-patient billing		597,880
Donation		345,200
		1,069,440
Expenses		
Medicines	(W-4)	48,411
Laboratory supplies and X-Ray films	(W-5)	33,307
Consultant fees	(W-11)	160,000
Salaries	(W-7)	294,190
Electricity	(W-8)	330,610
Cleaning and general	(W-10)	39,859
Stationery and supplies		19,825
Repairs and maintenance		25,221
Telephone charges	(W-9)	32,370
Depreciation		
Equipment	(W-6)	61,400
Furniture	(100,000 × 10%)	10,000
		(1,055,193)
Surplus/ (deficit)		14,247

(b)

Gharib Charitable Hospital
Balance Sheet
as on December 31, 1999

		Rs.
Fund and liabilities		
Fund		
Opening Fund	(W-15)	651,832
Surplus/(Deficit)		14,247
		666,079
Current Liabilities		
Salaries due		22,520
Electricity bill due		30,100
Telephone bill due		2,720
Cleaning and general due		3,710
Consultant fee payable		15,500
Creditors		
- Medicine		4,500
- X-ray films		3,500
- Lab supplies		1,300
		83,850
Total		749,929
Assets		
Non-Current Assets		
Equipment	(W-6)	552,600
Furniture	(100,000 – 10,000)	90,000

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	642,600
Current Assets:	
X- Ray charges receivable	2,780
In patient billings receivable	57,920
Laboratory charges receivable	2,100
Stock of medicine	7,450
Stock of laboratory supplies and X-ray films	3,980
Cash at bank and in hand	33,099
	107,329
Total	749,929

WORKINGS

(W-1)

Dr.	X- Ray charges receivable		Cr.
op.	1,600	Cash and Bank	40,440
I and E(bal)	41,620	cl.	2,780
	43,220		43,220

(W-2)

Dr.	In patient billings receivable		Cr.
op.	27,270	Cash and Bank	567,230
I and E(bal)	597,880	cl.	57,920
	625,150		625,150

(W-3)

Dr.	Laboratory charges receivable		Cr.
op.	1,900	Cash and Bank	24,867
I and E(bal)	25,067	cl.	2,100
	26,967		26,967

(W-4)

Dr.	Stock of medicine		Cr.
op.	6,230	I and E (bal)	48,411
Creditor-medicine (W-12)	49,631	cl.	7,450
	55,861		55,861

(W-5)

Dr.	Stock of laboratory supplies and X-ray films		Cr.
op.	4, 170		
Creditor X-ray (W-13)	24,500	I and E (bal)	33,307
Creditor laboratory supp. (W-14)	8,617	cl.	3,980
	37,287		37,287

(W-6)

Dr.	Equipment		Cr.
b/d	560,000	Depreciation (560,000 + 54,000) × 10%	61,400
Cash and Bank	54,000	cl.	552,600
	614,000		614,000

It is assumed that all additions took place at the start of the year.

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(W-7)

Dr.	Salaries expense		Cr.
Cash and Bank	298,450	Op.	26,780
cl.	22,520	I and E (bal)	294,190
	320,970		320,970

(W-8)

Dr.	Electricity bill expense		Cr.
Cash and Bank	324,710	Op.	24,200
cl.	30,100	I and E (bal)	330,610
	354,810		354,810

(W-9)

Dr.	Telephone bill expense		Cr.
Cash and Bank	31,750	Op.	2,100
cl.	2,720	I and E(bal)	32,370
	34,470		34,470

(W-10)

Dr.	Cleaning and general expense		Cr.
Cash and Bank	38,549	Op.	2,400
cl.	3,710	I and E (bal)	39,859
	42,259		42,259

(W-11)

Dr.	Consultant fee payable		Cr.
Cash and Bank	156,500	Op.	12,000
cl.	15,500	I and E(bal)	160,000
	172,000		172,000

(W-12)

Dr.	Creditor-Medicine		Cr.
Cash and Bank	49,131	Op.	4,000
cl.	4,500	Medicine	49,631
	53,631		53,631

(W-13)

Dr.	Creditor-X-ray films		Cr.
Cash and Bank	25,000	Op.	4,000
cl.	3,500	Stock – X ray film (bal.)	24,500
	28,500		28,500

(W-14)

Dr.	Creditor-lab supplies		Cr.
Cash and Bank	8,517	Op.	1,200
cl.	1,300	Stock-Lab. Supplies (bal.)	8,617
	9,817		9,817

(W-15) **Opening fund**

Assets	Rs.
X- Ray charges receivable	1,600
In patient billings receivable	27,270
Laboratory charges receivable	1,900
Stock of medicine	6,230
Stock of laboratory supplies and X-ray films	4,170
Equipment	560,000
Furniture	100,000
Cash at bank and in hand	27,342
	728,512

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Liabilities	
Salaries due	26,780
Electricity bill due	24,200
Telephone bill due	2,100
Clearing and general due	2,400
Consultant fee payable	12,000
Creditors	
- Medicine	4,000
- X-ray films	4,000
- Lab supplies	1,200
	(76,680)
	651,832

Answer-12

(a)

Leisure club
Receipt and payment account

Cash Receipts	Rs.	Cash Payments	Rs.
Opening Bal.	300,000	Salaries	2,300,000
Bank withdrawal	6,120,000	Bank	37,848,500
Subscription(33,000,000′– 19,800,000)	13,200,000	Sundry Expenses	640,000
Tuck shop sales(w-5)	22,856,250	Cash Misappropriation (bal.)	1,662,750
		Closing Bal.	25,000

(b)

Leisure Club
Income and Expenditure account
for the year ended December 31, 2016

		Rs.
Incomes		
Subscription	(W-1)	31,817,500
Tuck Shop	(W-6)	4,571,250
Other income(Bad debt recovered)		1,860,000
		38,248,750
Expenditures		
Salaries		2,300,000
Insurance		175,000
Rent	(W-10)	4,193,000
Utilities		4,365,000
Repair & Maintenance		700,000
Sundry Expenses		640,000
Depreciation	(W-8)	5,847,500
Abnormal Loss		500,000
Cash Misappropriation	Part a	1,662,750
Loss on disposal of asset	(W-9)	10,000
		(20,393,250)
Surplus		17,855,500

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Leisure Club
Balance Sheet
As on December 31, 2016

		Rs.
Fund and liabilities		
Fund :		
Opening Fund		21,326,000
Surplus		17,855,500
		39,181,500
Current liabilities:		
Creditor		3,330,000
Advance Subscription(W-1)		11,825,000
Total		15,155,000
		54,336,500
Assets		
Non-Current Assets:		
Fixed Assets- WDV	(W-7)	45,742,500
Current Assets:		
Bank		5,894,000
Cash		25,000
Prepaid Rent		175,000
Inventory		2,500,000
Total		8,594,000
		54,336,500

WORKINGS

(W-1)

Subscription account

Dr.			Cr.		
I and E	(bal.)	31,817,500	Op. advance	(W-3)	1,0642,500
cl. advance	(W-3)	11,825,000	Cash (3,300 × 10,000)		33,000,000

(W-2)Advance Closing Balance subscription

		Rs.
Quarter-1	(8,250,000 × 3/12)	2,062,500
Quarter-2	(5,500,000 × 6/12)	2,750,000
Quarter-3	(9,350,000 × 9/12)	7012,500
Quarter-4		**11,825,000**

Advance Opening Balance subscription: 11,825,000 × 9/10 = 10,642,500

(W-3)

Creditor Account

Dr.		Cr.
Bank	18,155,000	Op. 2,500,000
cl.	3,330,000	Purchases (bal) 18,985,000

(W-4)

Inventory Account(Tuck shop)

Dr.			Cr.
Op.		2,300,000	Cost of Sale (bal.) 18,285,000
Creditor	(W-3)	18,985,000	Abnormal Loss 500,000
			cl. 2,500,000

(W-5) Calculation of Sales

Tuck Shop Sale = 18,285,000/80x100
= 22,856,250

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(W-6) Income from Tuck Shop

	Sale	22,856,250
Less:	Cost of Sales	(18,285,000)
	Income	4,571,250

(W-7) **Fixed Assets(WDV)**

Dr.			Cr.
b/d	28,000,000	Disposal (800,000 – 0,000)	760,000
Addition	7,350,000	Depreciation	5,847,500
Addition	17,000,000		
		c/d (bal.)	45,742,500

(W-8) **Depreciation expense**

Depreciation – on opening assets excluding disposals			
Opening assets WDV	28,000,000		
Disposals WDV	(800,000)		
	27,200,000	× 20%	5,440,000
Depreciation – on additions	7,350,000	× 20% × 3/12	40,000
Depreciation – on disposals	800,000	× 20% × 3/12	367,500
			5,847,500

(W-9) **Disposal Account**

Dr.			Cr.
Fixed Assets	800,000	Bank	750,000
		Acc. Depreciation	40,000
		Loss on disposal(bal.)	10,000

(W-10) **Rent account**

Dr.			Cr.
op.	168,000		
Bank	4,200,000	I and E (bal.)	4,193,000
		cl.	175,000

Answer-13

(a)

Violin Family Club

Income and expenditure account for the year ended 31 December 2018

		Rs. in '000
Income		
Subscription	(W-1)	995
Gain on disposal of table	$\left(212-\frac{960}{5}\right)$	20
Profit from canteen		57
Life membership	(W-2)	228
		1,300
Expenditures		
Rent	(W-3)	146
Salaries		285
Electricity	(W-4)	275
Depreciation – snooker tables	(W-6)	128
Depreciation – furniture & equipment	(720 + 220) × 20%	188
Subscription written off		45
		(1,067)
Excess of income over expenditure		233

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Canteen trading account for the year ended 31 December 2018

		Rs. in '000	Rs. in '000
Sales	$\frac{504}{80} \times 110$		693
Cost of goods sold			
Opening stock		215	
Purchases	(W-8)	536	
Closing stock		(247)	504
Gross profit			189
Expenses			
Wages	11 × 12		(132)
Profit from canteen			57

(b) **Violin Family Club**

Statement of financial position as on 31 December 2018

		Rs. in '000
Assets		
Non-current assets		
Snooker table	(W-5)	640
Furniture & equipment	(W-7)	752
		1,392
Current assets:		
Canteen stock		247
Prepaid rent		25
Subscriptions in arrears		30
Bank	(W-9)	1,094
		1,396
		2,788
General funds		
Opening balance	(2,024 – 378) – 1,344 (W-2)	302
Excess of income over expenditure		233
		535
Life membership fund	(W-2)	1,836
Liabilities		
Canteen creditors		142
Accrued electricity		35
Subscription in advance	(W-1)	75
Creditors for equipment	(W-7)	154
Canteen wages payable		11
		417
		2,788

WORKINGS

(W-1)

Subscription

	Rs. in '000		Rs. in '000
Opening arrears:		Opening advance 2018	45
2016	15	Receipts (60 + 920 + 75)	1,055
2017	90	Write off (15 + 30)	45
Income balance	995	Closing arrears	30
Closing advance	75		
	1,175		1,175

Scanned with CamScanner

: Examinations
:est 9) June 29, 2022
) minutes – 10 marks
ing time – 5 minutes

e Karachi and Lahore
ar ended 31 December

l of:

2011	2010
Rs. in million	
10,340	7,833
6,945	4,508

mber 2010, 2011 and 2012
5,000 million respectively
hat machinery purchased on
to repair instead of property,
rate of 20% per annum on the
ate of 20% is material error

(W-2)

Life membership

	Rs. in '000		Rs. in '000
Income [(5 + 8 + 6) × 120 ÷ 10]	228	Opening balance (5 × 120 × 8 ÷ 10) + (8 × 120 × 9 ÷ 10)	1,344
Closing balance	1,836	Receipt (6 ×120)	720
	2,064		2,064

(W-3)

Prepaid Rent

Date		Rs. in '000	Date		Rs. in '000
1-1-18	b/d (Rent of Jan & Feb)	24			
1-3-18	Cash $\left(\frac{24}{2} = 12 \text{ per month} \times 3 \text{ months}\right)$	36			
1-6-18	Cash $\left(\frac{24}{2} \times 3\right)$	36		P & L (Balancing)	146
1-9-18	Cash 12.5 × 3	37.5			
1-12-18	Cash 12.5 × 3	37.5	31-12-18	c/d (12.5 × 2)	25
		171			171

Rent after September 1, 2018

(12 per month ×12 = 144 + 6 = 150 per annum) (150/12 = 12.5 per month)

(W-4)

Accrued Electricity

Date		Rs. in '000	Date		Rs. in '000
	Cash	263	1-1-18	b/d	23
31-12-18	c/d	35		P & L	275
		298			298

(W-5)

Snooker Table (WDV)

Date		Rs. in '000	Date		Rs. in '000
1-1-18	b/d	960		Depreciation (W-6)	128
				Disposal (960/5)	192
			31-12-18	c/d	640
		960			960

(W-6) Depreciation for the year

Cost of snooker table

Cost = $\frac{960}{1 - 0.125} \times 2 = 1{,}280$

Cost on 1 table = $\frac{1280}{5} = 256$

Cost of remaining 4 tables = 256 × 4 = 1,024

Depreciation of snooker table = 1,024 × 12.5% = 128

Depreciation on equipment and furniture

(720 + 66 + 154) × 20% = 188

(W-7)

Furniture and Equipment (WDV)

Date		Rs. in '000	Date		Rs. in '000
1-1-18	b/d	720		Depreciation (W-6)	188
	Cash	66			
	Account payable $\left(\frac{66}{30\%} \times 70\%\right)$	154	31-12-18	c/d	752
		940			940

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(W-8)

Canteen Creditor

Date		Rs. in '000	Date		Rs. in '000
31-12-18	Cash	512	1-1-18	b/d	118
	c/d	142		Purchases	536
		654			654

(W-9)

Bank/cash

	Rs. in '000		Rs. in '000
Subscriptions	1,055	Opening balance	181
Life membership (W-2)	720	Rent	147
Sale proceeds from table	212	Salaries	285
Canteen receipts	693	Electricity	263
		Canteen creditors	512
		Canteen salaries	132
		Equipment	66
		Closing balance	1,094
	2,680		2,680

Answer-14

(a) **Chongtar International Hospital**
Income and Expenditure Account
For the year ended 31 December 2019

		Rs. in million
Incomes		
Medical equipment donation		36.8
Fee from patients		125.0
General donations		82.6
Profit from cafeteria (W-4)		0.4
		244.8
Expenses		
Medicines consumed	(W-1)	(57.2)
Hospital supplies consumed	(W-2)	(13.4)
Depreciation - Medical equipment [(185.4 – 64.2) × 15%] + (36.8 × 15%)		(23.7)
Depreciation - Other fixed assets (110.7 – 54.7) × 15%		(8.4)
Miscellaneous expenses		(8.5)
Salaries - administrative staff (24 × 85%)		(20.4)
Salaries - doctor and nursing staff		(38.2)
Utilities		(12.4)
Walk on diabetes day - net [2.2 – 3.8 (W-5)]		(1.6)
Rent [21 (W-6) × 90%]		(18.9)
		(202.7)
Surplus		42.1

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(b) Chongtar International Hospital
Statement of financial position
As on 31 December 2019

Funds and Liabilities		
Opening General fund		195.6
+ Surplus		42.1
		237.7
Burns wards fund		75.1
Liabilities		
Payables		38.9
Rent payable		1.4
Walk on diabetes day' expense payable		1.2
		41.5
		354.3
Assets		
Non current assets		
Medical equipment [(185.4 + 36.8) – (64.2 + 23.7)]		134.3
Other fixed assets [110.7 – (54.7 + 8.4)]		47.6
Burn ward - Capital W.I.P		55.3
		237.2
Current assets		
Inventory - medicine	(W-1)	22.7
Inventory - hospital supplies	(W-2)	13.8
Inventory - cafeteria	(W-3)	2.8
Cash and bank		8.4
Receivables - panel corporates		31.4
Short term investments		38.0
		117.1
		354.3

WORKINGS

(W-1)

Inventory - medicine

b/d	19.4	Medicine consumed (Bal.)	57.2
Cash	60.5	c/d (25.8 – 3.1)	22.7
	79.9		79.9

(W-2)

Inventory - hospital supplies

b/d	8.5	Hospital supplies consumed (Bal.)	13.4
Cash	18.7	c/d	13.8
	27.2		27.2

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(W-3)

Inventory - cafetreia			
b/d		Cost of sales (W-4)	18.3
Cash	4.7	c/d (Bal.)	2.80
	16.4		
	21.1		21.1

(W-4) Cafeteria - Trading account

Sales	24.4
Less: Cost of sales (24.4 /100 × 75)	(18.3)
Gross profit	6.1
Less: Expenses	
Salaries (24 × 15%)	(3.6)
Rent [21 (W-6) × 10%]	(2.1)
Net profit	0.4

(W-5)

'Walk on diabetes day' expense payable			
		b/d	-
Cash	2.6	Expense (Bal.)	3.8
c/d	1.2		
	3.8		3.8

(W-6)

Rent payable			
		b/d	-
Cash	19.6	Expense (Bal.)	21
c/d	1.4		
	21		21

Answer-15

	Description	Rs. in '000	Working
A	Opening general fund - 2020	1,766	1,586 +180 (C) / Balancing figure inbalance sheet of 2020
B	Excess of income over expenditure -2020	62	Balancing figure in Balance sheet income & expenditure account
C	Excess of income over expenditure -2019	180	198–18(D) Balancing figure in balan..esheet of 2019
D	Utilities payable – 2019	18	(W-1)
E	Tuck-shop rent receivable	41	(W-2)
F	Bank balance – 2020	450	Balancing figure in receipt and paymentaccount
G	Salaries expense	568	(W-3)
H	Misc. supplies expense	129	(W-4)
I	Annual sports event expense	55	(W-5)
J	Depreciation expense		(W-6)
K	Depreciation expense	161	
L	Scrap sale / Other income		

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M	Scrap sale / Other income	15	
N	Members' subscriptions received	790	(W-8)
O	Members' subscriptions received	60	(W-9)
P	Tennis court fund received	40	
Q	Repair and maintenance paid		

W-1: Utilities *Rs. in '000*

Payment	214	Opening payable (Bal. fig)	18
Closing payable	25	Expense	221
	239		239

W-2: Tuck shop rent *Rs. in '000*

Opening receivable	37	Receipt	248
Income	252	Closing receivable (Bal. fig)	41
	289		289

W-3: Salaries *Rs. in '000*

Opening prepaid	15	Opening payable	41
Payment	560	Expense (Bal. fig)	568
Closing payable	52	Closing prepaid	18
	627		627

W-4: Misc. Supplies *Rs. in '000*

Opening unused supplies	10	Expense (Bal. fig)	129
Payment	132	Closing unused supplies	13
	142		142

W-5: Annual Sports event *Rs. in '000*

Payment	180	Members 'contribution	49
Closing payable	10	Entrance fee	86
		Expense (Bal. fig)	55
	190		190

W-6: Fixed Assets - Net *Rs. in '000*

Opening balance	1,300	Disposal (W-7)	29
Donation	70	Depreciation (Bal. fig)	161
Payment	92	Closing balance	1,403
Tennis court	131		
	1,593		1,593

W-7: Disposal *Rs. in '000*

Fixed assets (Bal. fig)	29	sale proceeds	21
		Loss on disposal	8
	29		29

W-8: Members' subscription *Rs. in '000*

Opening arrears	158	Opening advance	25
Income	919	Receipt (Bal. fig)	790
Closing advance	20	Write off	12
		Closing arrears	270
	1,097		1,097

W-9: Tennis court fund *Rs. in '000*

Closing fund	260	Opening fund	200
		Receipt (Bal. fig)	60
	260		260

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Answer-16

Cereus Golf Club

(a) **Income and expenditure account for the year ended 31 December 2020**

		Rs. in '000
Income:		
Subscription income	(W-1)	10,750
Rent on golf kits		650
Sale of golf kits	3,000 × 140%	4,200
		15,600
Expenditures:		
Insurance expense	660 – **220** (660 ÷ 12 × 4)	(440)
Salaries expense	2,800 – 350	(2,450)
Cost of Golf kits sold	[**6,000** (4,800 ÷ 0.8) × (2 ÷ 3)] – 1,000	(3,000)
Loss on golf kits transferred	500 × 0.7	(350)
Depreciation	**300** (2,000 × 15%) + **3,750** (25,000 × 15%)	(4,050)
Other expenses		(2,320)
Loss on misappropriation	4,620 **(W-2)** – 2,000	(2,620)
		(15,230)
Excess of income over expenditure		**370**

(b) **Statement of financial position as on 31 December 2020**

		Rs. in '000
Non-current assets:		
Fixed assets	25,000 – 3,750	21,250
Golf kits on rent	(6,000 × 1 ÷ 3) + 150 (500 × 30%) – 300 (2,000 × 15%)	1,850
		23,100
Current assets:		
Golf kits	(1,000 – 500)	500
Insurance claim		2,000
Prepaid insurance	I/E	220
Subscription in arrears	(W-1)	300
Cash & bank		4,200
		7,220
		30,320
General funds:		
Opening balance	(W-3)	12,350
Excess of income over expenditure	I/E	370
		12,720
Repair and maintenance fund	5,800 - 2,800	
Liabilities:		
Creditors - golf kits	(4,800 ÷ 0.8) – 4,800	1,200
Subscription in advance	(W-1)	13,400
		30,320

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WORKINGS

W-1: Subscription — Rs. in '000

		Opening advance	
		2018: (100 × 60 × 1 ÷ 3)	2,000
Income (Bal fig)	10,750	**2019:** (140 × 75 × 2 ÷ 3)	7,000
Closing advance		Receipts (160 × 90) + (5 × 90)	14,850
2019: (140 × 75 × 1 ÷ 3)	3,500		
2020: (165 × 90 × 2 ÷ 3)	9,900	Closing arrears (10 × 90 × 1 ÷ 3)	300
	24,150		**24,150**

W-2: Bank/cash — Rs. in '000

Opening balance	2,500	Repair & maintenance expense	2,800
Subscriptions (W-1)	14,850	Golf kits purchases	4,800
Rent of golf kits	650	Insurance premium paid	660
Sale of golf kits	4,200	Salaries paid	2,800
		Other expenses paid	2,320
		Misappropriation (bal. fig.)	4,620
		Closing balance	4,200
	22,200		**22,200**

W-3: Opening accumulated fund: Rs. in '000

		Rs. in '000
Cash and bank balance		2,500
Fixed assets		25,000
Subscription in advance	(W-1)	(9,000)
Accrued salaries		(350)
Repair and maintenance fund	8,000 – 2,200	(5,800)
Accumulated fund – opening balance		**12,350**

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ICAP QUESTION BANK QUESTION

QUESTION-1

The following were the assets and liabilities of the Nawabshar Youth Movement at 30 April 2017.

	Rs. 000
Fixtures and fittings (net)	16,340
Inventory of refreshment (coffee bar)	4,460
Land	51,600
Subscription received in advance	4,900
Payables for drinks supplied (coffee bar)	6,780
Cash at bank	7,466

The accountant's receipts and payments account for the year to 30 April 2018 shows the following:

Receipts	**Rs. 000**
Donations received	500
Rent of hall	5,600
Members' subscription	24,000
Sale of brochure	1,740
Sale of dance tickets	3,400
Sale of refreshments (coffee bar)	10,200
Payments	
Repairs and maintenance	3,218
Salaries and wages	6,309
Gifts and donations	600
Dance expenses	950
Refreshment supplies (coffee bar)	19,415
Sundry expenses	10,000

Further information:

(i) Wages of Rs. 556,000 were due but unpaid at the year-end.

(ii) Inventories of drinks at 30 April 2018 were Rs. 14,210,000

(ii) Provide for depreciation on fixtures and fittings at Rs. 1,900,000

(iv) Subscription due but not paid at 30 April 2018 was Rs. 1,900,000

Required:

Based on the above information, prepare the club's income and expenditure account for the year ended 30 April 2018 and the statement of financial position as at that date.

(ICAP Example 3)

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QUESTION-2

The statement of financial position of Peshawar Business Club as at 31 December 2017 is shown as follows:

	Cost	Accumulated depreciation	Carrying amount
	Rs.000	Rs.000	Rs.000
Furniture and Fittings	40,000	10,000	30,000
Games Equipment	20,000	7,200	12,800
Motor van	30,000	10,000	20,000
	90,000	27,200	62,800
Current Assets: Cash at bank and at hand			9,200
			72,000
Financed by: Accumulated funds			72,000

The following transactions took place during the year 1 January 2018 to 31 December 2018:

	Rs. 000
Receipts	
Subscriptions (10,000 members @ 1,600 each)	16,000
Donations	1,600
Sale of tickets for annual dinner	10,800
Payments	
Electricity	4,000
Expenses for annual dinner	6,200
New games equipment	3,200
Cleaners' wages	2,080
Repairs and renewal	1,660
Motor van repairs	2,520

Further information:

An electricity bill of Rs. 900,000 was owed at 31 December 2018.

Depreciation should be calculated at 10% of cost of the assets.

Required:

Based on the above information, prepare the receipt and payment account and income and expenditure account of Peshawar Business Club for the year ended 31 December 2018 and statement of financial position as at that date.

(ICAP Example 4)

QUESTION-3

The treasurer of the Giltan Golf Club has prepared the following receipts and payments account for the year ended 31 March 2016.

Receipts	Rs.(000)	Payment	Rs.(000)
Balance at 1 April 2015	682	Functions	305
Subscriptions	2,930	Repairs	146
Functions	367	Telephone	67
Sale of land	1,600	Extension of club house	600
Bank interest	60	Furniture	135
Bequest (legacy)	255	Heat and light	115
Sundry income	46	Salary and wages	2,066
		Sundry expenses	104
		Balance at 31 March 2016	2,402
	5,940		5,940

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(a) Subscriptions received included Rs.65,000 which had been in arrears at 31 March 2015 and Rs.35,000 which had been paid for the year commencing 1 April 2016.

(b) Land sold had been valued in the club's books at cost Rs.500,000.

(c) Accrued expenses

	31 March 2015 Rs.(000)	31 March 2016 Rs.(000)
Heat and light	32	40
Wages	12	14
Telephone	14	10
	58	64

(d) Depreciation is to be charged on the original cost of assets appearing in the books at 31 March 2016 as follows:

Buildings	5%
Fixtures and fittings	10%
Furniture	20%

(e) The following balances are from the club's books at 31 March 2015:

	Rs.(000)
Land at cost	4,000
Buildings at cost	3,200
Buildings allowance for depreciation	860
Fixtures and fittings at cost	470
Fixtures allowance for depreciation	82
Furniture at cost	380
Furniture allowance for depreciation	164
Subscriptions in arrears (including Rs.15,000 irrecoverable - member had emigrated)	80
Subscriptions in advance	30

Required:

Prepare an income and expenditure account for the year ended 31 March 2016 and a Statement of financial position as at that date.

(ICAP Example 3)

QUESTION-4

The Langton Hockey club does not have any formal accounting records but the following information is available.

(1) The payments that have been made by the club for the year ending 30 June 2016 are as follows:

	Rs.(000)
Purchase of second hand table tennis table	250
Rent	600
Tea stall purchases	900
Annual fair expenses	1,450
Outings expenses	370
Prizes for whist evenings	90
Repairs to snooker table	35
Refreshments at social evenings	240

(2) The club's income, apart from annual subscriptions, is as follows:

	Rs.(000)
Contributions to outings	300
Takings at the annual fair	2,150

The club also run a tea stall in the village car park every Sunday in the summer months. This sells tea and coffee, cakes, biscuits and ice creams etc. The profit margin on the tea stall is normally 20% of selling price.

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(3) All the club's transactions are in cash but if there are any surplus funds they are banked in a local bank account. The balance on the bank account was Rs.30,000 at 1 July 2015.

(4) The club has an annual subscription rate of Rs.20,000 per annum per person or Rs.50,000 per annum for a family membership. Members are asked to pay their subscription in the July at the beginning of the club's accounting year.
There are 10 family members of the club. Of these two paid their 2016 subscription in June 2015 and all the rest were received before 30 June 2016.
No individual members had paid their 2016 subscriptions in advance but at 30 June 2016 four members still owed their subscriptions. They had been contacted and all four had promised to pay at the next evening social event. There are in total 80 individual members.

(5) The club has the following other assets and liabilities:

	30 June 2015 Rs. (000)	30 June 2016 Rs. (000)
Sports equipment	2,560	Note 6
Inventory for the tea stall	120	60
Payables for the tea purchases	110	190
Prepayment of rent	40	50

(6) The sports equipment is all depreciated at 20% per annum on net book value on the basis of the equipment held at 30 June each year.

(7) The old table tennis table was sold during the year for Rs.40,000. Its value as recorded by the club at 30 June 2015 was Rs.30,000.

Required:
You are required to prepare an income and expenditure account for the year ended 30 June 2016 and a statement of financial position at that date. **(20)**

(ICAP Example)

QUESTION-5

You have agreed to take over the role of bookkeeper for the AB sports and social club.
The summarised statement of financial position on 31 December 2014 as prepared by the previous bookkeeper contained the following items.

Assets		**Rs.**
Heating oil for clubhouse		1,000
Shop and cafe inventories		7,000
New sportswear, for sale, at cost		3,000
Used sportswear, for hire, at valuation		750
Equipment for groundsman		
Cost	5,000	
Depreciation	(3,500)	1,500
Subscriptions due		200
Bank		
Current account		1,000
Deposit account		10,000
Fund and liabilities		
Accumulated fund		23,150
Payables		
Shop and cafe inventories		1,000
Sportswear		300

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The bank account summary for the year to 31 December 2015 contained the following items.

Receipts	Rs.
Subscriptions	11,000
Bankings	
Shop and café	20,000
Sale of sportswear	5,000
Hire of sportswear	3,000
Interest on deposit account	800
	39,800

Payments	Rs.
Rent and repairs of clubhouse	6,000
Heating oil	4,000
Sportswear	4,500
Grounds person	10,000
Shop and cafe purchases	9,000
Transfer to deposit account	6,000
	39,500

You discover that the subscriptions due figure as at 31 December 2014 was arrived at as follows.

Subscriptions unpaid for 2013	10
Subscriptions unpaid for 2014	230
Subscriptions paid for 2015	40

Corresponding figures at 31 December 2015 are:

Subscriptions unpaid for 2013	10
Subscriptions unpaid for 2014	20
Subscriptions unpaid for 2015	90
Subscriptions paid for 2016	200

Subscriptions due for more than 12 months should be written off with effect from 1 January 2015.

Asset balances at 31 December 2015 include:

	Rs.
Heating oil for club house	700
Shop and cafe inventories	5,000
New sportswear, for sale, at cost	4,000
Used sportswear, for hire, at valuation	1,000

Closing payables at 31 December 2015 are for:

Shop and cafe inventories	800
Sportswear	450
Heating oil for clubhouse	200

Two thirds of the sportswear purchases made in 2015 had been added to inventory of new sportswear in the figures given in the list of assets above, and one third had been added directly to the inventory of used sportswear for hire.

Half of the resulting new sportswear for sale at cost' at 31 December 2015 is actually over two years old. You decide, with effect from 31 December 2015, to transfer these older items into the inventory of used sportswear, at a valuation of 25% of their original cost.

No cash balances are held at 31 December 2014 or 31 December 2015. The equipment for the grounds person is to be depreciated at 10% per annum, on cost.

Required:

Prepare the income and expenditure account and statement of financial position for the AB sports club for 2015. ***(ICAP Example 8)***

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QUESTION-6

The GD Sports Club do not keep any accounting records other than notes concerning the subscriptions of members and the amounts paid for expenses. During discussions with the club committee you discover the following:

(1) The club does not have a bank account and conducts all its transactions in cash, any surplus being paid into a building society account. The interest credited to this account for the year to 31 March 2015 was Rs.350.

(2) A summary of the payments for the year is:

	Rs.
Deposit to building society account	250
Purchase of dartboards	100
Heat/light	262
Repairs to snooker tables	176
Cafe payables	7,455
Rental of premises	1,000
Club match referees' fees and expenses	675
Trophies, etc (treated as an expense)	424
Refreshments for visiting teams	235

(3) The club has 100 members who each pay Rs.5 per annum subscription. However, on 31 March 2014 ten members had already paid their subscriptions for 2015.
On 31 March 2015 two members who had not been seen in the club since August 2014 had not paid their subscriptions for 2015 and it has been decided that the amount due be written off and that their names be removed from the list of members.

(4) The club has only two sources of income from club members - subscriptions and cafe sales. A profit margin of 30% of selling price, is normally applied to determine cafe selling prices but during the year Rs.397 of goods were sold at cost.

(5) The club has the following other assets/liabilities:

	1 April 2014 Rs.	31 March 2015 Rs.
Equipment	4,000	?
Building society account	4,600	5,200
Cafe inventories	840	920
Cafe payables	630	470
Cash in hand	nil	nil
Creditor for heat/light	34	41

(6) Equipment is depreciated at 10% of the value of equipment held on 31 March each year.

Required:

(a) Prepare a cafe trading account for the year ended 31 March 2015; (8)

(b) Prepare an income and expenditure account for the year ended 31 March 2015. (7)

(c) Prepare a statement of financial position at 31 March 2015. (5)

(20)

(ICAP Example)

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QUESTION-7

The HB Tennis Club was formed on 1 April 2015 and has the following receipts and payments account for the six months ended 30 September 2015:

Receipts	Rs.	Payments	Rs.
Subscriptions	12,600	Purchase of equipment	4,080
Tournament fees	465	Groundsman's wages	4,520
Bank interest	43	Rent and business rates	636
Sale of club ties	373	Heating and lighting	674
Life membership fees	4,200	Postage and stationery	41
		Court maintenance	1,000
		Tournament prizes	132
		Purchase of club ties	450
		Balance c/d	6,148
	17,681		17,681

Notes:

1) The annual subscription fee is Rs.300. On 30 September there were five members who had not paid their subscriptions, but this money was received on 4 October 2015.
2) The equipment is expected to be used by the club for five years, after which time it will need to be replaced. Its estimated scrap value at that time is Rs.50.
3) During the six months, the club purchased 100 ties printed with its own design. Forty of these ties remained unsold at 30 September 2015.
4) The club has paid business rates in advance on 30 September 2015 of Rs.68.
5) The club treasurer estimates that the following amounts should be accrued for expenses:

	Rs.
Groundsman's wages	40
Postage and stationery	12
Heating and lighting	53

6) The life membership fees received relate to payments made by four families. The scheme allows families to pay Rs.1,050 which entitles them to membership for life without further payment. It has been agreed that such receipts would be credited to income and expenditure in equal instalments over 10 years.

Required:

(a) Prepare the club's income and expenditure account for the six months ended 30 September 2015. (8)

(b) Prepare the club's statement of financial position at 30 September 2015. (7)

(ICAP Example)

QUESTION-8

The Monarch Sports Club has the following summary of its cash book for the year ended 30 June 2015:

	Rs.	Rs.
Opening bank balance		12,500
Receipts:		
Subscriptions	18,000	
Life membership fees	3,000	
Competition receipts	7,500	
Entrance fees	2,500	
Equipment sold	1,000	
	32,000	
	44,500	

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Payments:		
Transport to matches	3,700	
Competition prizes	4,300	
Coaching fees	2,100	
Repairs to equipment	800	
Purchase of new equipment	4,000	
Purchase of sports pavilion	35,000	
		(49,900)
Closing balance (overdrawn)		(5,400)

The following information is available regarding the position at the beginning and end of the accounting year:

	1 July 2014 Rs.	30 June 2015 Rs.
Subscriptions in advance	1,100	900
Subscriptions in arrears	200	300
Coaching fees outstanding	150	450

Of the subscriptions outstanding at the beginning of the year, only half were eventually received.
The equipment sold during the year had a net book value of Rs.1,200 at 1 July 2014.
Equipment is to be depreciated at 20% per annum straight line. Life membership fees are taken to cover 10 years.
The treasurer insists that no depreciation needs to be charged on the sports pavilion, as buildings do not decrease in value. He says that the last club of which he was treasurer did charge depreciation on its buildings but that when the club came to replace them, there was still insufficient money in the bank to pay for the new building.

Required:

Prepare an income and expenditure account for the Monarch Sports Club for the year ended 30 June 2015.

(ICAP Example 8)

QUESTION-9

The LH Sports Club opened on 1 May 2014 having purchased premises for Rs.80,000 and furniture for Rs. 18,000, both financed by an interest-free loan from a member. The club secretary has produced the following income and expenditure account for the year to 30 April 2015.

	Rs.	Rs.
Income		
Joining fees (89 members × Rs.200 each)	17,800	
Annual subscriptions	12,000	
Cafe profits	8,450	
Dinner Dance surplus	830	
Equipment hire receipts	1,750	
		40,830
Expenditure		
Premises costs	10,990	
Equipment costs	5,590	
Secretary's expenses	470	
Bank charges	125	(17,175)
Surplus for the year		23,655

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The income and expenditure account has been prepared after taking into account the following items at 30 April 2015:

cafe inventories	Rs. 1,400
payables for cafe supplies	Rs.1,320
rates and insurances prepaid	Rs.2,280

The following items have not been taken into account:

- the equipment costs figure includes Rs.4,000 for the purchase of equipment
- depreciation is to be provided as follows:
  - at 2% on premises
  - at 10% on furniture
  - at 20% on equipment
- joining fees are to be spread over a five-year period
- the annual subscriptions figure includes Rs.960 paid in advance
- subscriptions outstanding at the end of the year, and expected to be collected, amount to Rs.300.

The bank balance at 30 April 2015 was Rs.21,295.

Required:

(a) Calculate the correct surplus for the year.

(b) Prepare the statement of financial position at 30 April 2015. *(ICAP Example 10)*

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ICAP QUESTION BANK SOLUTIONS

Answer-1

Income and expenditure account	**Rs.000**
Income:	
Subscriptions (W1)	30,800
Donations	500
Rent of hall	5,600
Sales of brochure	1,740
Sales of dance tickets	3,400
Net income from coffee bar (W4)	7,315
	49,355
Less expenses	
Repairs and Maintenance	3,218
Salaries and Wages (W2)	6,865
Gifts and Donations	600
Dance expenses	950
Sundry expenses	10,000
Depreciation of fixtures and fittings	1,900
	(23,533)
Net surplus	25,822

Statement of financial position as at 30 April 2018	**Rs.000**
Non-current assets	
Land	51,600
Fixtures and Fittings	16,340
Depreciation	(1,900)
	14,440
	66,040
Current Assets:	
Inventory of drinks	14,210
Subscriptions unpaid	1,900
Cash and Bank Balance	12,414
	94,564
Financed By:	
Accumulated Fund (W5)	68,186
Surplus of income over expenditure	25,822
	94,008
Current Liabilities : Wages accrued	556
	94,564

W1 **Subscriptions account**

	Rs. 000		Rs. 000
		Balance b/d	4,900
Subscriptions for the period	30,800	Bank	24,000
		Balance c/d	1,900
	30,800		30,800

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W2 **Salaries and wages**

	Rs. 000		Rs. 000
Bank	6,309	Expenditure	6,865
Balance c/d	556		
	6,865		6,865

W3 **Payables**

	Rs. 000		Rs. 000
Bank	19,415	Balance b/d	6,780
		Expenditure	12,635
	19,415		19,415

W4	**Coffee bar**	
	Sales	10,200
	Opening inventory	4,460
	Purchases **(W3)**	12,635
	Closing inventory	(14,210)
	Profit (gross)	(2,885)
		7,315
W5	**Accumulated fund at start of the year**	
	Assets:	
	Fixtures and Fittings	16,340
	Inventory of refreshments	4,460
	Land	51,600
	Cash and Bank Balances	7,466
		79,866
	Liabilities:	
	Subscription received in Advance	4,900
	Payables for drinks supplied	6,780
		(11,680)
	Accumulated fund	68,186

Answer-2

Receipts and payments

	Rs. 000		Rs. 000
Balance b/d	9,200	Electricity	4,000
Subscription	16,000	Expenses for annual dinner	6,200
Donations	1,600	New games equipment	3,200
Sale of Tickets for annual dinner	10,800	Cleaner's wages	2,080
		Repairs and renewals	1,660
		Motor van repairs	2,520
		Balance c/d	17,940
	37,600		37,600

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Income and expenditure account

	Rs.000
Income:	
Subscriptions	16,000
Donations	1,600
Sales of dance tickets	10,800
	28,400
Less expenses	
Electricity (4,000,000 + 900,000)	4,900
Annual expenses	6,200
Cleaner's wages	2,080
Repairs and renewals	1,660
Motor van repairs	2,520
Depreciation (W)	9,320
	(26,680)
Net surplus	1,720

Working: Depreciation (W)

		Rs.000
Furniture and Fittings	0.1 @ 40,000,000	4,000
Game Equipment	(20,000,000 + 3,200,000) x 0.1)	2,320
Motor Van	30,000,000 @ 0.1	3,000
		9,320

Statement of financial position as at 30 April 2018

Non-current assets

	Cost	Accumulated depreciation	Carrying amount
	Rs.000	Rs.000	Rs.000
Furniture and Fittings	40,000	14,000	26,000
Games and Equipment	23,200	9,520	13,680
Motor Van	30,000	13,000	17,000
	93,200	36,520	56,680

	Rs. 000
Current Assets:	
Cash and Bank Balance	17,940
	74,620
Financed By:	
Accumulated Fund	72,000
Surplus of income over expenditure	1,720
	73,720
Current Liabilities : Electricity accrual	900
	74,620

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Answer-3

Gilton Golf Club
Income and Expenditure account
for the year ended 31, March 2016

		Rs. (000)
Incomes		
Profit from functions	(367 – 305)	62
Profit from sale of land	(W-11)	1,100
Bank interest		60
Bequest		255
Sundry income		46
Subscription		2,860
		4,383
Expenses		
Bad debts	(W-1)	15
Repairs		146
Telephone	(W-2)	63
Heat & Light	(W-10)	123
Salaries & Wages	(W-9)	2,068
Sundry expenses		104
Depreciation - Building	(W-4)	190
Depreciation - Furniture	(W-8)	103
Depreciation - Fixtures & fittings	(W-6)	47
		(2,859)
Net profit		1,524

Gilton Golf Club
Balance Sheet
as on 31, March 2016

		Rs. (000)
Fund and liabilities		
Fund		
Opening Fund	(W-12)	7,618
Surplus/(Deficit)		1,524
		9,142
Current liabilities		
Heat & Light		40
Wages		14
Telephone		10
Subscription in advance		35
		99
Total		**9,241**

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Assets			
Non-Current Assets			
Land	(4,000 – 500)	3,800	3,500
Buildings	(W-3)	(1,050)	2,750
Less: Accumulated depreciation	(W-4)		
Fixtures Fittings	(W-5)	470	
Less: Accumulated depreciation	(W-6)	(129)	341
Furnitures	(W-7)	515	
Less: Accumulated depreciation	(W-8)	(267)	248
			6,839
Current Assets			
Bank			2,402
Total			**9,241**

(WORKINGS)

(W-1)

Dr.	Subscription account		Cr.
Op. receivable	80	Op. advance	30
I and E (bal.)	2,860	Cash and bank	2,930
Cl. Advance	35	Bad debts (80 – 65)	15

(W-2)

Dr.	Telephone		Cr.
		Op. payable	14
Cash and bank	37	I and E (bal.)	63
Cl. Payable	10		15

(W-3)

Dr.	Building account		Cr.
B/d	3,200		
Additions	600		
		c/d. (bal.)	3,800

(W-4)

Dr.	Accumulated depreciation-building		Cr.
		B/d	860
		Dep. Exp (3,800 × 5%)	190
c/d. (bal.)	1,050		

(W-5)

Dr.	Fixtures and fittings account		Cr.
B/d	470		
		c/d. (bal.)	470

(W-6)

Dr.	Accumulated depreciation-fixtures		Cr.
		B/d	82
		Dep. Exp (470 × 10%)	47
c/d. (bal.)	129		

(W-7)

Dr.	Furniture account		Cr.
B/d	380		
Additions	135		
		c/d. (bal.)	515

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(W-8)

Accumulated depreciation-furniture

Dr.			Cr.
		B/d	164
		Dep. Exp (515 × 20%)	103
c/d. (bal.)	267		

(W-9)

Salaries & Wages

Dr.			Cr.
		Op. payable	32
Cash and bank	2,066	I and E (bal.)	2,068
Cl. Payable	14		

(W-10)

Heat & Light

Dr.			Cr.
		Op. payable	32
Cash and bank	115	I and E (bal.)	123
Cl. Payable	40		

(W-11) **Profit from sale of land**

Bank		1,600,000	
	Land		500,000
	I & E (bal.)		1,100,000

(W-12) **Opening fund**

Assets		Rs.
Land		4,000
Buildings	(3,200 – 860)	2,340
Subscription in arrears		80
Fixtures & fittings	(470 – 82)	388
Bank balance		682
Furniture	(380 – 164)	216
		7,706
Liabilities		
Subscription in advance		30
Heat & Light		32
Telephone		14
Wages		12
		88
		7,618

Answer-4

Langton Hockey Club
Income and Expenditure account
for the year ended June 30, 2016

Incomes		Rs.(000)
Profit from tea stall	(W-1)	260
Profit from annual fair	(2,150 – 1,450)	700
Subscription	(W-3)	2,100
Profit on sale of table tennis table	(40-30)	10
		3,070

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Expenses		
Rent	(W-4)	590
Loss on Outgoing	(300 – 370)	70
Prizes for whist evenings		90
Repairs to snooker table		35
Refreshments		240
Depreciation	(W-7)	556
		(1,581)
Net Profit		1,489

Langton Hockey Club
Balance Sheet
as on June 30, 2016

		Rs.
Fund and liabilities		
Fund		
Opening fund	(W-8)	2,540
Surplus/(Deficit)		1,489
		4,029
Current Liabilities		
Trade payables		190
		190
Total		4,219
Assets		
Non-Current Assets		
Sports equipments	(W-7)	2,224
		2,224
Current Assets:		
Bank	(W-6)	1,805
Prepaid rent	(W-4)	50
Stocks for tea stall		60
subscriptions due	(W-3)	80
		1,995
Total		4,219

WORKINGS

(W-1) Profit from Tea stall		Rs.
Revenue	(1040 × 100/80)	1,300
Less: COS	(W-1.1)	(1,040)
		260

(W-1.1) Cost of sales		Rs.
Op. stock		120
Purchases	(W-2)	980
Less: Cl. Stock		(60)
		1,040

(W-2) **Payables for tea purchases**

Dr.		Cr.	
Cash	900	b/d	110
c/d	190	Purchases (bal)	980

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(W-3) **Subscription account**

Dr.			Cr.
		op. advance-Family (2 × 50)	100
I and E	(bal.) 2,100	Cash- Family (8 × 50)	400
		Cash- Individuals (76 × 20)	1,520
		cl. Receivable (4 × 20)	80

(W-4) **Rent Account**

Dr.			Cr.
b/d	40		
Cash	600	I and E (bal.)	590
		cl.	50

(W-5) **Cash account**

Dr.			Cr.
op.	0	Table tennis table	250
Contribution to outings	300	Rent	600
Annual fair takings	2,150	Tea stall purchases	900
Tea stall sales	1,300	Annual fair	1,450
Subscriptions	1,920	Outings	370
Sale of table	40	Prizes	90
		Repairs	35
		Refreshments	240
		Bank(bal.)	1,775

(W-6) **Bank account**

Dr.			Cr.
op.	30		
Cash	1,775		
		cl.	1,805

(W-7) **Sports equipment account**

Dr.			Cr.
op.	2,560	Disposal	30
Cash	250	Dep (2,560 – 30 + 250) × 20%	556
		cl.	2,224

(W-8) **Opening fund**

	Rs.
Assets	
Sports equipment	2,560
Stocks for tea stall	120
Prepaid rent	40
Bank	30
	2,750
Liabilities	
Subscription in advance	100
Trade payables	110
	210
	2,540

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Answer-5

AB Sports And Social Club
Income and Expenditure account
for the year ended December 31, 2015

		Rs.(000)
Incomes		
Profit from shop & café	(W-2)	9,200
Profit from sale of sports wear	(W-4)	2,900
Net proceeds from hire of old sports wear	(3,000 – (W-6) 1,300)	1,700
Interest on deposit of account		800
Subscription	(W-1)	10,720
		25,320
Expenses		
Rent of club house		6,000
Heating oil	(W-8)	4,500
Grounds person		10,000
Loss on transfer of sports wear	(W-4.1)	1,500
Depreciation	(5,000 × 10%)	500
Bad debts	(W-1)	30
		(22,530)
Surplus		**2,790**

AB Sports And Social Club
Balance Sheet
as on December 31, 2015

		Rs.	Rs.
Fund and liabilities			
Fund			
Opening Fund			23,150
Surplus/(Deficit)			2,790
			25,940
Current Liabilities			
Shop & Café			800
Sportswear			450
Heating oil	(W-7)		200
Subscription in advance			200
			1,650
Total			**27,590**
Assets			
Non-Current Assets			
Equipments for ground person		5,000	
Less: Accumulated depreciation	(3,500 + 500)	(4,000)	1,000
Current Assets:			
Bank-Current account	(W-8)		1,300
Bank-Deposit account	(10,000 + 6,000)		16,000
Heating oil			700
Shop & Cafe inventory			5,000
New sportswear	(W-4)		2,000
Hire sportswear	(W-6)		1,500
Subscriptions due			90
			26,590
Total			**27,590**

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WORKINGS

(W-1) **Subscription account**

Dr.		Cr.	
op. receivable (230 + 10)	240	op. advance	40
I and E (bal.)	10,720	Bank	11,000
cl. advance	200	Bad debts (10 + 20)	30
		c/d	90

(W-2) **Profit from Shop & Cafe**

		Rs.
Sales		20,000
Less: Cost of sales		
Op. Inventory		7,000
Purchases (W-2.1)		8,800
Cl. Inventory		(5,000)
		(10,800)
Gross profit		9,200

(W-3) **Creditors - shop and café**

Dr.		Cr.	
Bank	9,000	op.	1,000
cl.	800	Purchases (bal.)	8,800

(W-4) **Profit from Sales of new sportswear**

		Rs.
Sales		5,000
Less: Cost of sales		
Op. Inventory		3,000
Purchases	(W-5)	3,100
Less: Shifted to old sports wear		(2,000)
Less: Cl. Inventory	(4,000 – 2,000)	(2,000)
		(2,100)
Profit		2,900

(W-4.1) **Entry for shifting of new sports wear to old one**

Old sportswear	(2,000 x 25%)	500	
I and E (bal.)		1,500	
New sports wear			2,000

(W-5) **Payable sports-wear**

Dr.		Cr.	
		op.	300
Bank	4,500	Purchases new SW (4,500 + 450 – 300) × 2/3	3,100
		Purchases old SW (4,500 + 450 – 300) × 1/3	1,550
cl.	450		

(W-6) **Old sportswear stock a/c**

Dr.		Cr.	
b/d	750		
Payable SW (W-5)	1,550	I and E (.bal)	1,300
New SW shifted (W-4.1)	500	c/d (1,000 + 500)	1,500

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(W-7) **Dr.** **Heating oil** **Cr.**

b/d	1,000		
Bank	4,000	I and E (.bal)	4,500
Cl. Payable	200	c/d	700

(W-8) **Dr.** **Bank-Current account** **Cr.**

	Rs		Rs.
b/d	1,000	Rent & Repairs	6,000
Subscriptions	11,000	Healing oil	4,000
Shop & Café	20,000	Payable for Sportswear	4,500
Sale of sportswear	5,000	Creditor shop, cafe	9,000
Interest	800	Ground person	10,000
Hire of sportswear	3,000	Deposit account	6,000
		c/d (bal.)	1,300

Answer-6(a)

GD Sports Club
Cafe Trading Account
for the year ended March 31, 2015

		Rs.
Sales	(W-8)	10,137
Less: Cost of sales		
Op. Inventory		840
Purchases	(W-3)	7,295
Cl. Inventory		(920)
		(7,215)
Gross profit		2,922

Answer-6(b)

GD Sports Club
Income and Expenditure account
for the year ended March 31, 2015

		Rs.
Incomes		
Profit from café	(Part-a)	2,922
Interest Income from building society		350
Subscription	(W-l)	490
		3,762
Expenses		
Rentals		1,000
Heat & light	(W-6)	269
Repairs to snooker table		176
Referees fees & expenses		675
Trophies		424
Refreshments for visitors		235
Depreciation	(W-3)	410
		(3,189)
Net Profit		573

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Answer-6(c)

GD Sports Club
Balance Sheet
as on march 31, 2015

		Rs.
Fund and liabilities		
Fund		
Opening Fund	(W-5)	8,726
Surplus/(Deficit)		573
		9,299
Current Liabilities		
Payable for café	(W-3)	470
Heal & light	(W-6)	41
		511
Total		9,810
Assets		
Non-Current Assets		
Equipments	(W-2)	3,690
		3,690
Current Assets		
Cafe inventory		920
Building society deposit		5,200
		6,120
		9,810

WORKINGS

(W-1) **Subscription account**

Dr.			Cr.
I and E	(bal.)	op. advance (10 × 5)	50
	490	Cash. (88 × 5)	440
			100

(W-1.1) Members who paid subscription this year

Total members	100
Members who paid subscription in advance last year	(10)
Members who have left the club	(2)
Members who paid subscription this year	88

(W-2) **Equipments-account**

Dr.			Cr.
b/d	4,000	Depreciation 1,000 +.100) × 10%	410
Cash(Dartboards)	100	c/d (bal.)	3,690
	922		

(W-3) **Cafe payable account**

Dr.			Cr.
Cash	7,455	b/d	630
c/d	470	Purchases (bal.)	7,295

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(W-4)

Dr.	Cash account		Cr
b/d	-	Deposit to society a/c	250
Subscriptions (W-1)	440	Equipment (Dartboards)	100
Sales (W-8)	10,137	Heat & light	262
		Repairs	176
		Cafe purchases account	7,455
		Rentals	1,000
		Fees & expenses	675
		Trophies	424
		Refreshments	235
		c/d	-

(W-5) Opening accumulated fund

Assets	Rs.
Equipments	4,000
Cafe inventory	840
Building Society account	4,600
	9,440
Liabilities	
Payables-cafe	630
Payables-Heat & Light	34
Subscription in advance	50
	(714)
	8,726

(W-6)

Dr.	Heat & Light		Cr.
Cash	262	b/d	34
c/d	41	P and L (bal.)	269

(W-7)

Dr.	Building Society Deposit account		Cr.
b/d	4,600		
Cash	250		
Interest Income	350	c/d	5,200

(W-8) Sales

Cost of Sales = 7,215

C + P = S
70 + 30 = 100

C + P = S
70 + 0 = 70

			Total
Cost	6,818(bal.)	397	7,215
Sales	9,740(6,818/70 × 100)	397	10,137

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Answer-7

HB tennis Club
Income and Expenditure account
for Six months ended on September 30, 2015

		Rs. (000)
Incomes		
Tournament fees		465
Bank interest	(W-3.1)	43
Life membership	(W-1)	210
Profit from sale of club tics	(W-2)	103
Subscription		7,050
		7,871
Expenses		
Groundsmans wages	(W-5)	4,560
Rent and rates	(636 – 68)	568
Heating and lighting	(W-4)	727
Postage and stationery	(W-6)	53
court maintenance		1,000
Depreciation of equipment	((4,080 – 50)/5 × 6/12)	403
Tournament prizes		132
		(7,443)
Net Profit		428

HB tennis Club
Balance Sheet
as on September 30, 2015

				Rs.(000)
Fund and liabilities				
Fund				
Opening Fund				-
Surplus/(Deficit)				428
				428
Life membership fund	(W-3)			3,990
Current Liabilities				
Grounds men wages	(W-5)			40
Postage and stationery	(W-6)			12
Subscription in advance	(W-2)			6,300
Heating and lighting	(W-4)			53
				6,405
Total				10,823
Assets				
Non-Current Assets				
Equipments			4,080	
Less: Accumulated depreciation	((4,080 – 50)/5 × 6/12)		(403)	3,677
Current Assets:				
Bank				6,148
Rates paid in advance				68
Stock of ties				180
Subscription in arrears	(W-2)			750
				7,146
Total				10,82

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WORKINGS

(W-1) Profit from sale of ties

			Rs in '000'
Revenue			373
Less:	COS		
	Op. stock		0
	Purchases		450
	Less: Cl. Stock	(40x450/100)	(180)
			(270)
Profit			103

(W-2) Dr. **Subscription account** Cr.

op. receivable	-	op. advance	-
I and E (bal.)	7,050	Cash and bank	12,600
cl. advance (W-2.2)	6,300	cl. receivable (W-2.1)	750

(W-2.1)	Subscription receivable at the end of 6 months	(5 × 300 × 6/12)	750
(W-2.2)	Subscription advance for the next 6 months	(12,600 × 6/12)	6,300

(W-3) Dr. **Life membership account** Cr.

			b/d	-
I and E	(W-3.1)	210	Cash and bank	4,200
c/d	(bal.)	3,990		

(W-3.1)	Amount taken to I & E in these 6 months	(4,200/10 × 6/12)	210

(W-4) Dr. **Heating and Lighting** Cr.

		b/d	-
Cash and bank	674	I and E	727
cl.	53		

(W-5) Dr. **Grounds men wages** Cr.

op.	-	b/d		-
Cash and bank	4,520	I and E	(bal.)	4,560
c/d	40	cl.		

(W-6) Dr. **Postage and stationery** Cr.

		b/d		-
Cash and bank	41	I and E	(bal.)	53
c/d	12	cl.		

Answer-8

Monarch Sports Club
Income and Expenditure account
for the year ended June 30, 2015

		Rs.(000)
Incomes		
Life membership	(W-2)	300
Net income from competition	(7,500 – 4,300)	3,200
Entrance fee		2,500
Subscription	(W-1)	18,400
		24,400

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Expenses		
Transport		3,700
Coaching fees	(W-4)	2,400
Repairs		800
Bad debts	(W-1)	100
Loss on disposal of equipments	(W-3)	200
Depreciation	(4,000 × 20%)	800
		(8,000)
Net Profit		16,400

WORKINGS

(W-1) **Subscription account**

Dr.		Cr.	
op. receivable	200	op. advance	1,100
I and E (bal.)	18,400	Bank	18,000
		Bad debt (200 × 1/2)	100
cl. advance	900	cl. receivable	300

(W-2) **Life membership account**

Dr.		Cr.	
		b/d	-
I and K (3,000/10)	300	Bank	3,000
c/d (bal.)	2,700		

(W-3) **Disposal account**

Dr.		Cr.	
Equipment-NBV	1,200	Bank	1,000
		I and E (bal.)	200

(W-4) **Coaching fees**

Dr.		Cr.	
		b/d	150
Bank	2,100	I and E (bal.)	2,400
c/d	450		

Answer-9

LH Sports Club
Income and Expenditure account
for the year ended April 30, 2015

		Rs.
Surplus as per draft income & expenditure account		23,655
Add:		
Capital expenditure wrongly included in equipment costs		4,000
Subscription receivable for current year not included in income		300
		4,300
Less:		
Depreciation not deducted		
Premises	(80,000 × 2%)	1,600
Furniture	(18,000 × 10%)	1,800
Equipment	(4,000 × 20%)	800
Joining fee of next 4 years wrongly included	(W-1)	14,240
Advance subscription for the next year wrongly included		960
		(19,400)
Correct surplus for the year		8,555

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LH Sports Club
Balance Sheet
As on April 30, 2015

Fund and liabilities			**Rs.**
Fund			
Surplus/(Deficit)			8,555
Non-Current Liabilities			
Loan from member			98,000
Joining fee			14,240
			112,240
Current Liabilities			
Payables for cafe supplies			1,320
Subscription in advance			960
			2,280
Total			**123,075**
Assets			
Non-Current Assets			
Premises		80,000	
Less: Accumulated depreciation	(80,000 × 2%)	(1,600)	78,400
Furnitures		18,000	
Less: Accumulated depreciation	(18,000 × 10%)	(1,800)	16,200
Equipments		4,000	
Less: Accumulated depreciation	(4,000 × 20%)	(800)	3,200
			97,800
Current Assets:			
Cafe Inventory			1,400
Subscriptions in arrears			300
Prepaid rates and insurance			2,280
Bank			21,295
Total			25,275
			123,075

WORKINGS

(W-I) **Joining fees**

	Rs.
Total joining fees received (89 × 200)	17,800
Joining fees for the current year (17,800/5)	(3,560)
Excess joining fees included in I&E for current year	**14,240**

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ICAP MULTIPLE CHOICE QUESTIONS (MCQs)

Q.1 Which of the following is generally considered as a non-profit oriented organization?

(a) Charitable organization (b) Corporation
(c) Audit firms (d) Insurance companies

Q.2 Expenditures greater than incomes of a non-profit organization give rise to a:

(a) Loss (b) Profit
(c) Surplus (d) Deficit

Q.3 An advance receipt of subscription from a member of the non-profit organization is considered as a/an:

(a) Expense (b) Liability
(c) Equity (d) Asset

Q.4 Income and expenditure account is based on;

(a) Cash accounting (b) Accrual accounting
(c) Government accounting (d) Management accounting

Q.5 Life membership fees of not for profit concerns is?

(a) Capital Receipts (b) Revenue Receipts
(c) Both (a) & (b) (d) None (a) & (b)

Q.6 When cash is received for life membership, which one of the following double entries is passed?

(a) Cash Debit and capital Credit
(b) Life membership Debit and cash Credit
(c) Investment Debit and cash Credit
(d) Cash Debit and life membership fund Credit

Q.7 XYZ club has a bar that maintains a separate trading account for its trading activities. Which of the following is the treatment of profit or loss on bar trading activities?

(a) Profit or loss is directly shown in the statement of financial position
(b) Profit or loss is to be presented in income and expenditure account
(c) Profit or loss is credited in income statement
(d) Profit or loss is added to accumulated fund

Q.8 Which of the following is the accounting equation for a non-profit organization?

(a) Asset = Capital + Liabilities
(b) Capital + Liabilities = Assets
(c) Accumulated fund + Liabilities = Assets
(d) Liabilities = Asset + Accumulated fund

Q.9 Subscription earned but not yet received is considered as a/an:

(a) Asset (b) Liability
(c) Income (d) Expenditure

Q.10 A non-profit organization received Rs. 100,000 as the entrance fee of a new member. If 20% of the fee has to be capitalized, what is the amount of fee needs to be shown in the income and expenditure account?

(a) Rs.20,000 (b) Rs.80,000
(c) Rs.90,000 (d) Rs.10,000

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Q.11 Rs.1,000,000 received as the annual membership subscription. Out of this, Rs. 200,000 is pertaining to the previous accounting period whereas Rs.100,000 is receivable at the end of the current accounting period.

Calculate the amount of subscription that will be shown in the income and expenditure account.

(a) Rs.100,000 (b) Rs.900,000
(c) Rs.1,200,000 (d) Rs.800,000

Q.12 Income and expenditure accounts show:

(a) Cash available to an organization
(b) Closing capital of an organization
(c) Cash available in the bank account
(d) Surplus or deficit for the current accounting period

Q.13 On what basis the 'receipts and payments account' is prepared?

(a) Cash basis (b) Accrual basis
(c) Both accrual and cash basis (d) None of the two

Q.14 Payment of Honorarium to secretary is treated as?

(a) Capital Expenditure (b) Revenue Expenditure
(c) Cash Expenses (d) None of these

Q.15 Income and Expenditure Account records:

(a) Capital items (b) Revenue items
(c) A and B both (d) None of these

Q.16 A club has 500 members. Annual membership fees are Rs.1,000. Therefore, membership fees for the year should be Rs.500,000.

The club's subscription records for the year ended 31 December 2013 show the following:

	At 31 December 2012	At 31 December 2013
Subscriptions in advance	10,000	6,000
Subscriptions in arrears	18,000	22,000

Calculate the amount of cash received during the year.

Rs. _____

Q.17 At 31 March 2012 a cricket club had membership subscriptions in arrears amounting to Rs.48,000 and had received Rs.12,000 subscriptions in advance.

During the year to 31 March 2013 the club received Rs.624,000 including 26 memberships for the year to 31 March 2014 at Rs.1,200 per annum in advance.

At 31 March 2013 16 members owed subscriptions of Rs.1,200 each.

Calculate the amount of subscription income during the year.

Rs. _____

Q.18 At 31 March 2012 a cricket club had membership subscriptions in arrears amounting to Rs.48,000 and had received Rs. 12,000 subscriptions in advance.

During the year to 31 March 2013 the club received Rs. 624,000 including 26 memberships for the year to 31 March 2014 at Rs.1,200 per annum.

At 31 March 2013 16 members owed subscriptions of Rs.1,200 each.

Half of the members who were in arrears at the end of the previous period still had not paid by 31 March 2013. It was decided to write these amounts off.

Required:

Calculate the amount of subscription income during the year.

Rs. _____

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Q.19 Seaview Club started its operations on 1 February 2015. Total subscription received for the period ended 31 December 2015 was Rs. 29,952,000

Annual subscription is Rs. 24,000. All new members pay three years' subscription in advance. The memberships were awarded as follows:

Month	March	June	September	December
No. of member	112	98	101	105

What amount of subscription income should be included in income and expenditure account for the period ended 31 December 2015?

Rs. _____

Q.20 Seaview Club started its operations on 1 February 2015. Total subscription received for the period ended 31 December 2015 was Rs.29,952,000

Annual subscription is Rs.24,000. All new members pay three years' subscription in advance. The memberships were awarded as follows:

Month	March	June	September	December
No. of member	112	98	101	105

What amount of advance subscription should be included in non-current liabilities as at 31 December 2015?

Rs. _____

Q.21 The main objective of a non-profit organization is;

(a) To earn profits (b) To create monopoly
(c) Welfare of the society (d) To provide for owner's dividends

Q.22 Non-profit organizations prepare all of the following accounts except the;

(a) Receipt and payment account (b) Income and expenditure account
(c) Statement of financial position (d) Profit or loss account

Q.23 Examples of non-profit organisation is:

(a) Commercial banks (b) Civil hospital
(c) Private educational institutions (d) Association of person

Q.24 The main source of income for non-profit organisation is:

(a) Subscription (b) Sales
(c) Dividends (d) Other income

Q.25 Income and expenditure accounts show;

(a) Cash available to an organization
(b) Closing capital of an organization
(c) Cash available to the bank account
(d) Surplus or deficit for an accounting period

Q.26 The statement of financial position of a non-profit organization does not contain the;

(a) Owner's equity (b) Liability
(c) Asset (d) Income

Q.27 Rent expense of a non-profit organization paid in advance. Which of the following is the correct classification of rent?

(a) Expense (b) Liability
(c) Asset (d) Equity

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Q.28 An advance receipt of subscription from a member of the non-profit organization is considered as

(a) Expense (b) Liability
(c) Asset (d) Equity

Q.29 The capital of a non-profit organization is generally known as

(a) Equity (b) Accumulated funds
(c) Retained earning (d) Cash fund

Q.30 When cash is received for life membership, which one of the following double entries is passed?

(a) Cash (debit) and capital (credit)
(b) Life membership (debit) and cash (credit)
(c) Cash (debit) and investment (credit)
(d) Cash (debit) and Life membership (credit)

Q.31 If debit side of receipt and payment account exceeds credit, it represents:

(a) Cash at bank (b) Bank overdraft
(c) Surplus (d) Deficit

Q.32 Receipt and payment account include:

(a) Revenue items (b) Capital items
(c) Both capital and revenue items (d) None of above

Q.33 Sale of an old newspaper is classified as:

(a) Expense (b) Liability
(c) Asset (d) Income

Q.34 Gift presented to Chief Guest at annual function by a non-profit organization is:

(a) Gift (b) Reward
(c) Honorarium (d) Grant

Q.35 Morning Football Club has a monthly subscription fee of Rs. 800 per member. The club has 240 members on 31 December 2018. No fresh members were admitted during 2018 but 30 members left the club on 1 July 2018. As at 31 December 2018, the club has received subscription in advance amounting to Rs. 60,000. The club's subscription income for 2018 would be:

(a) Rs. 2,448,000 (b) Rs. 2,388,000
(c) Rs. 2,160,000 (d) Rs. 2,100,000

Q.36 Alpha Club's financial year ends on 31 December. Following information pertain to its members' subscription:

	Rupees
Subscription received in 2018 for 2019	180,000
Subscription received in 2019 for 2018	90,000
Subscription received in 2019 for 2019	1,400,000
Subscription received in 2019 for 2020	200,000
Subscription for 2018 outstanding as on 31 December 2018	150,000
Subscription for 2019 outstanding as on 31 December 2019	325,000

Subscription income for the year ended 31 December 2019 is:

(a) Rs. 1,845,000 (b) Rs. 1,705,000
(c) Rs. 1,905,000 (d) Rs. 1,665,000

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Q.37 The 'Accounting Standard for NPOs' has been issued by:

(a) The Institute of Chartered Accountants of Pakistan
(b) The Securities and Exchange Commission of Pakistan
(c) International Accounting Standards Board
(d) All Pakistan Association of NPOs

Q.38 The primary source as basis of accounting for a large sized NPO is:

(a) Accounting Standard for NPOs
(b) Accounting and Financial Reporting Standards (AFRS)
(c) IFRSs for SMEs issued by IASB
(d) IFRSs issued by IASB

Q.39 According to ASNPO, the financial statements of an NPO use the following concept of capital maintenance:

(a) Physical capital maintenance
(b) Welfare capital maintenance
(c) Financial capital maintenance (real terms)
(d) Financial capital maintenance (money terms)

Q.40 Statement of income and expenditures is based on:

(a) Cash accounting
(b) Accrual accounting
(c) Government accounting
(d) Management accounting

Q.41 An NPO has a fund that is subject to externally imposed stipulations specifying the resources contributed be maintained permanently, although the constituent assets may change from time to time. Which type of fund it is?

(a) Unrestricted fund
(b) Capital assets fund
(c) Restricted fund
(d) Endowment fund

Q.42 Which of the following statement is incorrect with respect to restrictions on contribution revenue of an NPO?

(a) Restrictions may be externally imposed.
(b) Restrictions may be internally imposed.
(c) Restrictions may be explicit.
(d) Restrictions may be implicit.

Q.43 An NPO received endowment contributions of Rs. 2 million. How should the receipt b recognised under restricted fund method where all funds are separately reported?

(a) Recognise as revenue in statement of income and expenditure (in endowment fu column) of the current period.
(b) Recognise as revenue in statement of income and expenditure (in general fund colum of the current period.
(c) Recognise as direct increase in statement of changes in net assets (in endowment fu column) of the current period.

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(d) Recognise as direct increase in statement of changes in net assets (in general fund column) of the current period.

Q.44 An NPO received endowment contributions of Rs. 2 million. How should the receipt be recognised under deferral method?

(a) Recognise as revenue in statement of income and expenditure (in endowment fund column) of the current period.

(b) Recognise as revenue in statement of income and expenditure (in general fund column) of the current period.

(c) Recognise as direct increase in statement of changes in net assets (in endowment fund column) of the current period.

(d) Recognise as direct increase in statement of changes in net assets (in general fund column) of the current period.

Q.45 An NPO received restricted contributions for expenses of current period (the corresponding restricted fund is presented separately) of Rs. 2 million. How should the receipt be recognised under restricted fund method?

(a) Recognise as revenue in statement of income and expenditure (in restricted fund column) of the current period.

(b) Recognise as revenue in statement of income and expenditure (in general fund column) of the current period.

(c) Recognise as direct increase in statement of changes in net assets (in restricted fund column) of the current period.

(d) Recognise as direct increase in statement of changes in net assets (in general fund column) of the current period.

Q.46 An NPO received restricted contributions for expenses of current period (the corresponding restricted fund is not presented separately) of Rs. 2 million. How should the receipt be recognised under restricted fund method?

(a) Recognise as revenue in statement of income and expenditure (in restricted fund column) of the current period.

(b) Recognise as revenue in statement of income and expenditure (in general fund column) of the current period.

(c) Recognise as direct increase in statement of changes in net assets (in restricted fund column) of the current period.

(d) Recognise as direct increase in statement of changes in net assets (in general fund column) of the current period.

Q.47 An NPO received restricted contributions for expenses of current period (corresponding restricted fund is separately reported in financial statements) of Rs. 2 million. How should the receipt be recognised under deferral method?

(a) Recognise as revenue in statement of income and expenditure (in restricted fund column) of the current period.

(b) Recognise as revenue in statement of income and expenditure (in general fund column) of the current period.

(c) Recognise as direct increase in statement of changes in net assets (in restricted fund column) of the current period.

(d) Recognise as direct increase in statement of changes in net assets (in general fund column) of the current period.

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Q.48 An NPO uses restrictive fund method to report its contributions revenue. The fund balance (or deferred balance) related to shall not be presented in net assets in the statement of financial position.

(a) Endowment contributions

(b) Restricted contributions reported in restricted fund

(c) Restricted contributions reported in general fund

(d) Unrestricted contributions reported in general fund

Q.49 An NPO received restricted contribution for the repayment of debt. The related debt was incurred for the payment of expenses expected to be incurred in next three years. How should the receipt be recognised under deferral method?

(a) Recognise as revenue in statement of income and expenditures of the current period

(b) Defer and recognise as revenue in relevant period applying the matching concept

(c) Recognise as direct increase in net assets in the statement of changes in net assets

(d) Recognise as deduction from related capital asset or related expenses

Q.50 An NPO received restricted contribution for the repayment of debt. The related debt was taken to fund purchase of school's furniture. How should the receipt be recognised under deferral method?

(a) Recognise as revenue in statement of income and expenditures of the current period

(b) Defer and recognise as revenue in relevant period applying the matching concept

(c) Recognise as direct increase in net assets in the statement of changes in net assets

(d) Recognise as deduction from related capital asset or related expenses

Q.51 An NPO received restricted contribution for the repayment of debt. The related debt was taken to fund purchase of freehold land for construction of a school. How should the receipt be recognised under deferral method?

(a) Recognise as revenue in statement of income and expenditures of the current period

(b) Defer and recognise as revenue in relevant period applying the matching concept

(c) Recognise as direct increase in net assets in the statement of changes in net assets

(d) Recognise as deduction from related capital asset or related expenses

Q.52 An NPO received restricted contribution for the repayment of debt. The related debt was taken neither to fund expenses of future periods nor to fund purchase of any capital assets. How should the receipt be recognised under deferral method?

(a) Recognise as revenue in statement of income and expenditures of the current period

(b) Defer and recognise as revenue in relevant period applying the matching concept

(c) Recognise as direct increase in net assets in the statement of changes in net assets

(d) Recognise as deduction from related capital asset or related expenses

Q.53 An NPO earned investment income that is externally restricted to be held for endowment. How should it be recognised under deferral method?

(a) Recognise as revenue in statement of income and expenditures of the current period

(b) Defer and recognise as revenue in relevant period applying the matching concept

(c) Recognise as direct increase in net assets in the statement of changes in net assets

(d) Recognise as deduction from related capital asset or related expenses

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Q.54 An NPO earned investment income that is externally restricted to be accumulated for purchase of freehold land. How should it be recognised under deferral method?

(a) Recognise as revenue in statement of income and expenditures of the current period

(b) Defer and recognise as revenue in relevant period applying the matching concept

(c) Recognise as direct increase in net assets in the statement of changes in net assets

(d) Recognise as deduction from related capital asset or related expenses

Q.55 An NPO has of 16,000 bags of rice to be sold only to members of an underprivileged community. The cost of rice to the NPO is Rs. 600 per bag. However, the NPO sells one bag to the underprivileged persons for Rs. 50 only. How should these 16,000 bags be measured?

(a) At cost

(b) At lower of cost and NRV

(c) At lower of current replacement cost and NRV

(d) At lower of cost and current replacement cost

Q.56 An NPO had capital asset of furniture at carrying value of Rs. 800,000 and related unamortised deferred contribution balance of Rs. 480,000 in statement of financial position. At that date, the furniture was destroyed by fire completely and is now worth nothing. Which of the following is correct treatment?

(a) Write down the furniture by Rs. 480,000 against deferred contribution.

(b) Write down the furniture by Rs. 800,000 and recognise revenue of Rs. 480,000 related to deferred contribution provided that all restrictions have been comp ied with.

(c) Write down the furniture by Rs. 800,000 and transfer Rs. 480,000 related to deferred contribution, directly in net assets provided that all restrictions have been complied with.

(d) Both (b) and (c) are acceptable accounting treatments.

Q.57 Morning Football Club has a monthly subscription fee of Rs.800 per member. The club has 240 members on 31 December 2018. No fresh members were admitted during 2018 but 30 members left the club on 1 July 2018. As at 31 December 2018, the club has received subscription in advance amounting to Rs.60,000. The club's subscription income for 2018 would be:

(a) Rs.2,448,000 (b) Rs.2,388,000

(c) Rs.2,160,000 (d) Rs.2,100,000 **[Autumn 2019] (02)**

Q.58 Alpha Club's financial year ends on 31 December. Following information pertain to its members' subscription:

	Rupees
Subscription received in 2018 for 2019	180,000
Subscription received in 2019 for 2018	90,000
Subscription received in 2019 for 2019	1,400,000
Subscription received in 2019 for 2020	200,000
Subscription for 2018 outstanding as on 31 December 2018	150,000
Subscription for 2019 outstanding as on 31 December 2019	325,000

Subscription income for the year ended 31 December 2019 is:

(a) Rs.1,845,000 (b) Rs.1,705,000

(c) Rs.1,905,000 (d) Rs.1,665,000 **[Autumn 2020] (02)**

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ICAP MULTIPLE CHOICE QUESTIONS (MCQ) SOLUTIONS

A.1 (a)
A.2 (d)
A.3 (b)
A.4 (b)
A.5 (a)
A.6 (d)
A.7 (b)
A.8 (c)
A.9 (a)
A.10 (b)
A.11 (b)

Subscription a/c

	Rs.		Rs.
b/d	200,000	Cash received	1,000,000
I & E	900,000	c/d	100,000
	1,100,000		1,100,000

A.12 (d)
A.13 (a)
A.14 (b)
A.15 (b)
A.16 Rs. 492,000

Subscriptions

	Rs.		Rs.
Balance b/d	18,000	Balance b/d	10,000
I&E	500,000	Cash	492,000
Balance c/d	6,000	Balance c/d	22,000
	524,000		524,000

A.17 Rs. 576,000

Subscriptions

	Rs.		Rs.
Balance b/d	48,000	Balance b/d	12,000
I&E	576,000	Cash	624,000
Balance c/d [26 × Rs. 1,200]	31,200	Balance c/d [16 × Rs. 1,200]	19,200
	655,200		655,200

A.18 Rs.600,000

Subscriptions

	Rs.		Rs.
Balance b/d	48,000	Balance b/d	12,000
I&E	600,000	Cash	624,000
		Bad debts [48,000 × ½]	24,000
Balance c/d [26 × Rs. 1,200]	31,200	Balance c/d [16 × Rs. 1,200]	19,200
	679,200		679,200

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A.19 Rs.4,630,000

Subscription for 3 years is Rs.72,000 so subscription for 1 year is Rs.24,000 or Rs. 2,000 per month

Receipt / Members	Number of members	×	Subscriptions for the period	Total
Mar / Dec	112	×	24,000 × 10/12	2,240,000
Jun / Dec	98	×	24,000 × 7/12	1,372,000
Sep / Dec	101	×	24,000 × 4/12	808,000
Dec	105	×	24,000 × 1/12	210,000
Total subscription income for 3 years				**4,630,000**

A.20 Rs.15,338,000

Subscription for 3 years is Rs.72,000 so subscription for 1 year is Rs.24,000 or Rs.2,000 per month

Number Members	I&E	Current	Non-current
	Months	Months	Months
Mar / 112	10	12	14 (36 – 10 – 12)
Jun / 98	7	12	17 (36 – 7 – 12)
Sep / 101	4	12	20 (36 – 4 – 12)
Dec / 105	1	12	23 (36 – 1 – 12)

Non Current Position			
Number of members	×	Subscriptions for the period	Total
112	×	24,000 × 14/12	3,136,000
98	×	24,000 × 17/12	3,332,000
101	×	24,000 × 20/12	4,040,000
105	×	24,000 × 23/12	4,830,000
Total subscription received to 3 years			**15,338,000**

A.21 (c)
A.22 (d)
A.23 (b)
A.24 (a)
A.25 (d)
A.26 (a)
A.27 (c)
A.28 (b)
A.29 (b)
A.30 (d)
A.31 (a)
A.32 (c)
A.33 (d)
A.34. (c)
A.35 (a) Rs. 2,448,000

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A.36 (c) Rs. 1,905,000

A.37 (a) ASNPO has been issued by ICAP.

A.38 (d) A large sized NPO is required to apply IFRSs issued by IASB as applicable in Pakistan

A.39 (d) Financial statements of an NPO are prepared with capital maintenance measured in financial terms and with no adjustment being made for the effect on capital of a change in the general purchasing power of the currency during the period.

A.40 (b) The statement of income and expenditures is based on accrual accounting.

A.41 (d) Such stipulations relate to endowment contribution and related fund would be endowment fund

A.42 (b) Restrictions (explicit or implicit) on contributions may only be externally imposed

A.43 (a)

A.44 (c)

A.45 (a)

A.46 (b)

A.47 (c)

A.48 (c)

A.49 (b)

A.50 (b)

A.51 (c)

A.52 (a)

A.53 (c)

A.54 (c)

A.55 (d)

A.56 (b)

A.57 (a) Rs. 2,448,000

1st six months 270 × Rs.800 × 6 month =	1,296,000
2nd six months 240 × Rs.800 × 6 month =	1,152,000
Total income	2,448,000

A.58 Option c: Rs. 1,905,000

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LECTURE NOTES (ONLY FOR STUDENTS ATTENDING MY CLASSES)

IAS-33 (EPS)

Question 1:

Discussion of preference shares concept (redeemable / Irredeemable) along-with calculation of basic EPS using following simple class example:

SOCI (Extracts) (FYE 31.12.15)	Rs.	SOCIE (FYE 31.12.15)	S/C	R/E	Irredeem. Pref.S/C	SOFP (Extracts) (As on 31.12.15)	Rs.
Finance cost		Opening balance	5,000	2,410	3,000	Equity	
Interest on LTL (1,200 x 10%)	(120)	PAT		1,450		Ordinary S/C (Rs. 10 each)	5,0
Dividend on redeemable pref. S/C (800 x 8%)	(64)	Pref. dividend - Irredeemable (3,000 x 12)		(360)		Retained earnings	2,5
PBT (assume)	1,500	Ordinary dividend (5,000x20%)		(1,000)		12% Irredeemable preference S/C (Rs. 10 each)	3,0
Tax (assume)	(50)	Closing balance	5,000	2,500	3,000	Non-current liabilities	
PAT	1,450					10% bank loan	1,2
						8% Redeemable preference S/C	·80

Question 2:

(i) A company has 5,000 shares in issue on 31 December 2010.
(ii) It further issued 5,000 shares on 1 April 2011.
(iii) Profit for the year 2010 is 50,000 and 2011 is 87,000.

Required: Calculate EPS for 2010 and 2011 assuming year end is 31st December.

Question 3:

A company has 3,000 shares in issue on 1 January 2013. It has further issued shares on market value on following dates:
1 March 2013: 12,000 shares; and
1 June 2013: 15,000 shares
Profit for the year 2013 is Rs.70,000

Required: Calculate EPS for the year ended 31 December 2013.

Question 4:

A company made following share transactions during the year:
1. Issued 2 **bonus shares** for every 5 held; than
2. There was a **share split** whereby every 3 shares became 5; than
3. There was a **share consolidation** whereby every 4 shares became 1.

Required: Analysis of the above transactions.

Question 5:

A company had 12,000 opening number of shares on 1.1.15. Company made following share transactions during the year ended 31.12.15:
1. 1.February.15: 3 bonus shares for every 4 held were issued;
2. 1.April.15: Share split whereby every 2 shares became 7;
3. 1.September.15: Share consolidation whereby every 5 shares became 4.

Required: Calculate weighted average number of shares for the year ended 31.12.15.

Question 6:

Continuing from question 5 assume following are the profits for the current and previous year:

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2014	72,000
2015	72,000

Required:
a) Calculate EPS for 2014;
b) Calculate EPS for 2015 along-with comparatives.

Solution question 6:

a) EPS (2014) = $\frac{72,000}{12,000}$ = Rs. 6 per share

b) EPS (2015) = $\frac{72,000}{58,800}$ = Rs. 1.22 per share

c) EPS (2014) – Restated = Rs.6 x $\frac{5}{4}$ x $\frac{2}{7}$ x $\frac{4}{7}$ = Rs. 1.22 per share

Or

c) EPS (2014) – Restated = $\frac{72,000}{12,000 \times \frac{4}{5} \times \frac{7}{2} \times \frac{7}{4}}$ = Rs. 1.22 per share

Important notes for students:

Note – 1:
Bonus issue, split issue and consolidation issue do not boost earnings, so we assume for EPS that these all are in issue since inception of business.

Note – 2:
In comparative price share issue, comparatives are not restated.

Note – 3:
In bonus, split, consolidation and right issue comparatives are always restated.

Question 7:

X Co. has a financial year ending 31 December. On I January 2015, there were 8,000 shares in issue. X Co. made following share transactions during the year:

1. On 30 April 2015, issued 8,000 new shares for Rs. 70 at market price;
2. On 3 July 2015, announced bonus issue to existing shareholders of 3 shares for every 7 shares held. The entitlement date of bonus shares was 31 July 2015;
3. On 30 September 2015, consolidated its shares such that every 9 shares were consolidated into 8 shares.

Total earnings in the year ended 31 December 2015 were 150,000;
Total earnings in the year ended 31 December 2014 were 90,000.

Required:

1. Calculate basic earnings per share for the year ended 31 December 2014;
2. Calculate basic earnings per share for the year ended 31 December 2015 along with comparatives.

Diluted EPS and convertible debentures / bonds/ TFCs/ loan notes/ redeemable preference shares:

Question 8:

PBT	800,000
Tax rate	30%
Wt. avg. Ord. shared	50,000 shares

Company has 9% convertible debentures of Rs. 2 million. Investors have option to receive cash or receive 10 shares per Rs. 1,000 of debentures.

Required:

Calculate basic and diluted EPS.

Question 9:

A company has an issue ordinary share capital of Rs.100 million (Rs.10 Each) Rs.20 million (Rs.100 Each) 6% convertible bonds at start of the year. These bonds are convertible every Rs.100 bond at

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any time till 31st Dec 20121. Tax rate is 30%. On 1st Apr 2020 50% of these bonds were converted into ordinary shares. Net profit after tax for the year ended 31st Dec 2020 amounted Rs.25.5 million.

Required:

Calculate basic EPS and diluted EPS.

Question 10:

	Rs.
Profit from continuing operations	16,400,000
Dividends on preference shares	(6,400,000)
Profit from continuing operations attributable to ordinary shareholders	10,000,000
Loss from discontinued operations attributable to the parent	(4,000,000)
Profit attributable to ordinary shareholders of parent	6,000,000

Ordinary shares outstanding during the year 2,000,000
Average market price of ordinary share during the year Rs. 75

Potential ordinary shares:

Options 100,000 with exercise price of Rs. 60

Convertible preference shares:

800,000 shares with a par value of Rs. 100 entitled to a cumulative dividend of Rs. 8 per share. Each preference share is convertible to two ordinary shares.

5% convertible bonds

Nominal amount Rs. 100,000,000. Each Rs. 1,000 bond is convertible to 20 ordinary shares. There is no amortization of premium or discount affecting the determination of interest expense.

Tax rate 40%

Required: Calculate basic EPS and diluted EPS.

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The Institute of Chartered Accountants of Pakistan

Certificate in Accounting and Finance Stage Examination

15 March 2022
3 hours – 100 marks
Additional reading time – 15 minutes

Financial Accounting and Reporting-I

Instructions to examinees:

(i) Answer all NINE questions.
(ii) Answer in **black** pen only.
(iii) Multiple Choice Questions must be answered in answer script only.

Section A

Q.1 Bulan Pakistan Limited (BPL) is planning to commence construction of a warehouse on 1 January 2023 and is expecting to complete it by 30 November 2023. The management wants to ascertain the borrowing costs that can be included in the cost of warehouse. Relevant details in this respect are as follows:

(i) Expected payments related to the construction of the warehouse will be as follows:

Description	Date of payment	Rs. in million
1st bill of contractor	1-Feb-23	40
2nd bill of contractor	1-Apr-23	120
3rd bill of contractor	1-Sep-23	100
Last bill of contractor	1-Dec-23	90
		350

(ii) The project can be financed through the following sources:

- Specific loan of Rs. 350 million at the rate of 16% per annum to be obtained on 1 January 2023. The principal will be payable in 5 equal annual instalments along with interest, from 1 January 2024.
- Withdrawals to be made from existing running finance facilities. These facilities will also be used to finance other needs of BPL. Details of these facilities are as follows:

Name of bank	Limit	Expected average balance for 2023	Interest rates
	------ Rs. in million ------		
Bank A	300	220	13.7%
Bank B	350	280	14.6%

(iii) The surplus funds available from the loan will be invested in a saving account at 10% per annum.
(iv) The construction work is expected to be suspended for the entire month of June 2023 due to usual monsoon rains.

Required:
Calculate the borrowing costs to be capitalised in the cost of warehouse in each of the following independent cases:

(a) if all the payments will be made from the specific loan only. **(04)**
(b) if all the payments will be made from running finance facilities only. **(04)**

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Q.2 Following information pertains to Dahl Limited (DL):

Summarised statement of financial position as at 31 December 2021

	2021	2020
	Rs. in million	
Share capital	11.0	10.0
Retained earnings	32.9	33.8
Revaluation surplus	4.0	-
	47.9	43.8

	2021	2020
	Rs. in million	
Property, plant and equipment	18.7	10.6
Working capital other than cash	24.5	17.8
Cash	4.7	15.4
	47.9	43.8

Additional information:

(i) Final dividend was paid in respect of year 2020 amounting to Rs. 3.4 million.
(ii) Additions to property, plant and equipment during the year amounted to Rs. 14 million.
(iii) Tax expense for the year amounted to Rs. 2.4 million. Tax payable as at 31 December 2021 amounted to Rs. 1 million (2020: Rs. 0.2 million)

Required:
Prepare DL's statement of cash flows for the year ended 31 December 2021. **(08)**

Q.3 Following is the trial balance of Mahtab Welfare Hospital (MWH) as on 31 December 2021:

	Debit	Credit
	---- Rs. in million ----	
Capital work in progress – hospital building	335	
Cash at bank	60	
Closing inventory – medicines and supplies	14	
Contributions received		281
General fund as at 1 January 2021		332
Medical equipment	320	100
Medicines and supplies used	76	
Other expenditures	19	
Payables		17
Research cost	33	
Restricted fund as at 1 January 2021		180
Salaries	53	
Total	**910**	**910**

Additional information:

(i) The break-up of restricted fund balance is as follows:

Fund	Description	Rs. in million
Hospital building fund	Contributions received for the construction of hospital building.	120
Research fund	As per the resolution of board of trustees, MWH is required to allocate 20% of surplus of each year to the research fund.	60

(ii) Contributions received include Rs. 55 million received for construction of hospital.
(iii) During the year, MWH also received construction materials having fair value of Rs. 65 million for the hospital building which has not been recorded in books.
(iv) MWH has completed the construction of hospital building on 1 April 2021.
(v) Depreciation is to be charged as follows:

Hospital building	5% – straight line
Other fixed assets	10% – reducing balance

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Required:
Prepare the following using deferral method:

(a) Statement of income and expenditure for the year ended 31 December 2021 **(04)**
(b) Statement of financial position as at 31 December 2021 **(06)**

Q.4 Both IAS 16 'Property, Plant and Equipment' and IAS 40 'Investment Property' deal with tangible non-current assets of an entity. Discuss any **four** differences between IAS 16 and IAS 40. **(06)**

Q.5 The trial balance of Moon Mart (MM) did not agree as at 31 December 2021 and the shortage of Rs. 215,000 on the debit side was carried to suspense account. The financial statements prepared from the trial balance showed net profit of Rs. 1,431,000.

During review, following matters were noted:

(i) A return outward of Rs. 18,000 was posted to the debit of return inward account in general ledger.
(ii) A sales invoice of Rs. 42,000 was posted twice in sales ledger.
(iii) Balance of accumulated depreciation of equipment was brought forward as Rs. 641,000 instead of Rs. 461,000 on 1 January 2021.
(iv) Following entries in cash book were not posted to general ledger:
- Receipt of annual rent for the period ending 31 March 2022 amounting to Rs. 336,000.
- Payment of Rs. 220,000 for equipment purchased on 1 May 2021.
- Cash purchases of Rs. 50,000.

Additional information:

(i) After passing all the adjustments, the remaining amount of suspense account is to be considered as loss from embezzlement.
(ii) MM uses periodic inventory method. Control accounts are not maintained for trade receivables and payables. Equipment are depreciated at 15% using reducing balance method.

Required:
(a) Prepare suspense account. **(04)**
(b) Compute the corrected net profit. **(04)**

Q.6 Select the most appropriate answer(s) from the options available for each of the following Multiple Choice Questions.

(i) A plant has a carrying amount of Rs. 3.3 million as at 31 December 2021. Its fair value is Rs. 2.4 million and costs of disposal are estimated at Rs. 0.1 million. Cash flows from the plant for the next 4 years are estimated at Rs. 0.7 million per annum. It will be disposed of at the end of the 4th year for Rs. 0.6 million. Applicable discount rate is 10% per annum.

What is the approximate impairment loss on the plant to be recognized in the financial statements for the year ended 31 December 2021? **(02)**

(a) Rs. 1 million
(b) Rs. 2.6 million
(c) Rs. 0.7 million
(d) Rs. 1.1 million

(ii) The forgivable loan from government is accounted for as _____ if there is no reasonable assurance that the entity will meet the terms for forgiveness of loan. **(01)**

(a) a liability
(b) an income
(c) a government assistance
(d) a government grant

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(iii) Which of the following statements is/are correct?

(I) Cash flows information cannot be manipulated easily, as compared to profit or loss because it is not affected by different accounting policies.

(II) Cash flows information can be manipulated easily, as compared to profit or loss because it is affected by different accounting estimates.

(a) Only (I) is correct
(b) Only (II) is correct
(c) Both are correct
(d) None is correct

(01)

(iv) On 1 January 2019, a company purchased an asset for Rs. 5 million against which it received the government grant of Rs. 0.5 million. The company deducted the grant from the cost of asset. It is the policy of the company to depreciate such assets using straight line method over ten years. On 1 January 2021, the government grant became repayable due to non-fulfilment of conditions. Repayment of grant will result in increasing:

(a) carrying value by Rs. 0.5 million
(b) carrying value by Rs. 0.4 million
(c) expense by Rs. 0.4 million
(d) expense by Rs. 0.5 million

(02)

(v) As per IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance', presenting the whole grant as other income in the statement of comprehensive income or deducting it from a related expense, is the correct treatment of:

(a) grant related to income
(b) forgivable loan expected to be received in next year
(c) government assistance in the form of free technical advice
(d) grant related to assets

(01)

(vi) Which of the following statements is/are correct?

(I) The Conceptual Framework is not an IFRS and nothing in the Conceptual Framework overrides any specific IFRS.

(II) One of the purpose of Conceptual Framework is to assist IASB to develop IFRSs that are based on consistent concepts.

(a) Only (I) is correct
(b) Only (II) is correct
(c) Both are orrect
(d) None is correct

(01)

(vii) Which of the following may be presented in both statement of comprehensive income and statement of cash flows?

(a) Purchase of non-current assets
(b) Issuance of shares
(c) Repayment of loan
(d) Depreciation

(01)

(viii) Which **TWO** of the following are internal sources of assessing whether there is an indication of impairment?

(a) An expected decline in the asset's market value
(b) An increase in interest rates
(c) Evidence that the asset is damaged
(d) Evidence that the entity's performance is worse than expected

(01)

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Section B

Q.7 Qamar Limited (QL) is in the business of consumer goods. Following are the summarized financial statements of QL for 2021:

Statement of financial position as at 31 December 2021

Assets	Rs. in million	Equity and liabilities	Rs. in million
Fixed assets	550	Share capital	600
		Retained earnings	319
		Long-term loan	350
Current assets:		Current liabilities:	
Inventory	440	Trade creditors	150
Trade debtors	350	Other payables	70
Short term investment	160	Current maturity of loan	50
Cash and bank balances	39		
	1,539		**1,539**

Statement of profit or loss for the year ended 31 December 2021

	Rs. in million
Sales	2,150
Cost of goods sold	(1,900)
Gross profit	**250**
Selling and administrative expenses	(93)
Other income	40
Finance cost	(35)
Net profit	**162**

Extracts from management reports submitted to the board of directors:

(i) Ratios for the year 2020:

Gross profit margin	9.5%	Net profit margin	3.9%
Interest cover	2.4 times	Inventory holding period	90.4 days
Return on non-current assets	16.8%	Debtors turnover	7.3 times
Creditor payment period	55.1 days	Acid test	0.9 times

(ii) Important financial and operating decisions taken during the year 2021:

- QL renewed a large contract with a customer. In the renewed contract, extended credit terms were given to the customer.
- A major supplier agreed to reduce the prices by 10% on the condition of cash purchases only. This reduction helped QL to avoid increase in prices of its products despite increase in prices by competitors.
- Increasing working capital demands were met by making a share issue. A part of the proceeds from the issue were also used to prepay a significant portion of the long term loan.
- QL disposed of its main warehouse in the last month of the year at a gain of Rs. 25 million. The sale proceeds are temporarily invested in a short term investment.

Required:

(a) Compute QL's ratios for 2021 for comparison with 2020. **(06)**

(b) Keeping in view the financial and operating decisions extracted from management reports, provide reasons for variation in the ratios computed in (a) above. **(09)**

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Q.8 Chand Limited (CL) was incorporated on 1 January 2020 with an authorized share capital of Rs. 500 million comprising of 50 million shares.

(i) Details of shares issued are as follows:

- On 1 March 2020, CL issued 20 million shares at Rs. 18 each.
- On 1 October 2020, CL issued 15% bonus shares. The market price per share immediately before the announcement of bonus was Rs. 24 per share.
- On 1 September 2021, CL issued 40% right shares at a premium of Rs. 12.5 per share. The market price per share immediately before the entitlement date was Rs. 33 per share.

(ii) Following information has been extracted from CL's draft financial statements:

	2021	2020
	Draft	Audited
	--- Rs. in million ---	
Net profit	66	48
Revaluation surplus arising during the year	-	20
Transfer of incremental depreciation	4	-
Final cash dividend	-	10%

(iii) After the preparation of draft financial statements for the year ended 31 December 2021, it was discovered that installation cost of Rs. 12 million relating to a plant capitalized on 1 August 2020 was wrongly expensed out. The plant is subsequently measured using cost model and is being depreciated @ 20% per annum on reducing balance method.

Required:

(a) Prepare CL's statement of changes in equity for the year ended 31 December 2021 along with comparative figures. ***(Column for total is not required)*** **(09)**

(b) Compute CL's basic and diluted earnings per share to be disclosed in the statement of profit or loss for the years ended 31 December 2021 and 2020. **(08)**

Q.9 Following information pertains to property, plant and equipment of Tsuki Limited (TL):

	Office building	Warehouse
Acquisition:		
▪ Date of acquisition	1 July 2017	1 July 2018
▪ Cost **(Rs. in million)**	96	156
▪ Estimated useful life **(in years)**	16	12
Revalued amount:		-
▪ 1 January 2019 **(Rs. in million)**	116	138
▪ 1 January 2021 **(Rs. in million)**	80	143
Revised useful life on 1 January 2020 **(in years)**	9	14

Additional information:

(i) TL uses revaluation model for subsequent measurement and accounts for revaluation on net replacement value method.

(ii) TL transfers maximum possible amount from the revaluation surplus to retained earnings on an annual basis.

(iii) The revalued amounts were determined by Sagheer Valuers (Private) Limited, an independent valuation company.

Required:

In accordance with IFRSs, prepare a note on 'Property, plant and equipment' (including comparative information) for inclusion in TL's financial statements for the year ended 31 December 2021. ***(Column for total is not required)*** **(18)**

(THE END)

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